

FOA EMIR Reporting – Operations Sub Group

Meeting 16 April 2013 with European CCPs (LCH, Eurex Clearing, Nasdaq OMX, ICE Clear, MEFF Clear, CC&G, CME Clearing) on Reporting Obligation to Trade Repositories

Agenda:

- Reporting Obligation: Who reports, and what is reported? Review of scenarios developed by FOA Operations Sub Group
- Interpretation of specific Reportable Fields under EMIR's Regulatory Technical Standards:
 - Mark to Market – Definitions & Valuation Methods
 - Unique Trade Identifier (UTI)
 - Unique Product Identifier (UPI)
 - Entity Identifier
- Next steps

Agreed:

- Reporting Obligation – Consensus was reached between all CCPs and dealers in attendance that Option 3¹ represented, at a high level, a common understanding and recommended approach. Further discussion is required on the full set of fields to be reported.
- All agreed continued regular engagement between CCPs and dealers to enable common approach was essential
- CCPs and dealers to review Reportable Fields analysis to identify the areas where the industry needs to develop a common solution (for example, on standard identifiers: Unique Trade Identifier (UTI) and Unique Product Identifier (UPI))
- CCPs and dealers to agree fields that require further clarification from ESMA, such as Clearing Timestamp, Execution Timestamp, Mark-to-Market & Collateral – these should be prioritised

Actions:

#	Category	Action	Owner	Resolution Date
1	Industry Communication	EACH (European Association of Clearing Houses) working group to be established – FOA to be informed of the date of the kick off meeting and updated re discussions/decisions	Mark Woodward	TBD
2	Industry Communication	FOA Operations Sub Group to extend invitation to CCPs on a fortnightly basis,	Sara Cresswell	17-Apr

¹ Refer to EMIR Reporting Obligation – Scenario Analysis 12 April 2013 – v0.7

		first meeting being 29 April		
3	Industry Analysis	Reportable Fields analysis performed by FOA Operations sub-group to be sent to CCPs.	Sara Cresswell and Kathleen Traynor	17-Apr
4	Industry Analysis	CCPs to respond back to FOA Ops group with their views re Reportable Fields analysis, to enable consolidation and facilitate discussion on 29 Apr	All CCPs	24-Apr
5	Industry Analysis	Eurex/Deutsche Boerse to document 5 th option of MTM, and other CCPs to document and propose any other approaches to MTM, all to provide to FOA Ops group	Hubert Kretschmer and all CCPs	24-Apr
6	Industry Communication	Determine approach for engaging with remaining members of EACH membership, given a number of European CCPs did not attend 16 April meeting	Kathleen Traynor	22-Apr
7	Regulatory Engagement	ESMA to be updated with 16 Apr meeting outputs – specifically that high-level consensus had been reached with CCPs present on Option 3 as recommended interpretation of reporting obligation	Kathleen Traynor	22-Apr
8	Regulatory Engagement	ESMA / Competent Authorities and European Commission to be updated on current status of industry thinking and issue - are options available to delay (ETD) implementation date(s) given the lack of clarity on fundamental questions	Kathleen Traynor	TBD

Key Discussion Points:

Who and what is reported:

- CCPs only know their Clearing Member and therefore cannot report against any other Counterparty (as it stands today).
- CCPs present all agreed that the FOA Operations WG proposal to ESMA (Option 3 in the Scenario Analysis) was the appropriate option – that is; CCPs will report cleared trades with Clearing Member as counterparty to the trade, and Positions with Clearing Members as counterparty
- Discussion was had about CCPs being able to report ‘ the whole chain’ through to the end counterparty (by means of the Exchange capturing the Executing Broker, as well as the end Counterparty. However it was agreed that for a number of reasons this would not be a practicable approach in the timeline available for ESMA because:

- would require a significant industry technical build to have a single database of 'LEI's' for end clients
- would require significant change in Client behavior to pre-trade allocate before trade execution
- EMIR/ESMA rules do not mandate Exchanges to provision any information to facilitate reporting to a TR

Timing of Reporting Obligation:

- General discussion on challenge of not having sufficient clarity on ETD issues from ESMA/competent authorities, but looming deadline. BaFin plan to start a Working Group in May to agree draft transaction scenarios. Little time to design and build a solution to meet expected (earliest) reporting start date of 23rd September. **Need to explore further with ESMA what can be done on reporting deadlines, given lack of clarity re application of obligation to ETDs** (on 'who reports' issue). What concessions can ESMA grant, particularly when ETD industry (with CCPs) shows it is aligned and working together. Agreed that the 1 Jan 2014 deadline for the remaining asset classes is not sensible. [Note: it was not discussed today but the 1 Jan 2014 deadline only applies if there is a TR authorised by ESMA to receive reports in the second tranche of asset classes by 1 October 2014. If there is not, the reporting obligation starts 90 days from the authorisation date of the first TR approved for that asset class].

Interpretation of specific reportable fields:

- Only MTM and Collateral were discussed, given time constraints at meeting. Agreed that guidance from ESMA is needed on the regulatory objective of requiring this information for transactions that are cleared, to guide the industry
- On MTM, the 4 working examples being considered by the Ops sub-group was discussed
- Eurex proposed a 5th option for MTM, being zero, as CCPs 'settle to market' or pay/receive variation every day – therefore from a CCPs perspective the position is fully covered (without getting into the technicalities of the timing of margin settlement being T+1)

Need to work through full table of Data Attributes:

- Discussed the need to work through the full table of data attributes to determine:
 - Which attributes will involve consultation/decision with NCAs/ESMA (e.g. MTM, Collateral valuation)
 - Which attributes will involve consultation/agreement between CCPs & Clearing Members, but do not involve further engagement with regulators (e.g. UPI, UTI)