

# **Futures & Options Association**

**Regulatory Reporting Working Group**

**Operations Sub Group**

## **EMIR Reporting Obligation – Scenario Analysis**

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# Overview



- ESMA's Q&A document published on 20 March 2013 states the following in relation to the reporting of ETD transactions cleared by the CCP:

“Where clearing takes places on the same day of execution, the report should be submitted once to a TR up to 1 working day after the execution, as provided under Article 9 EMIR.”

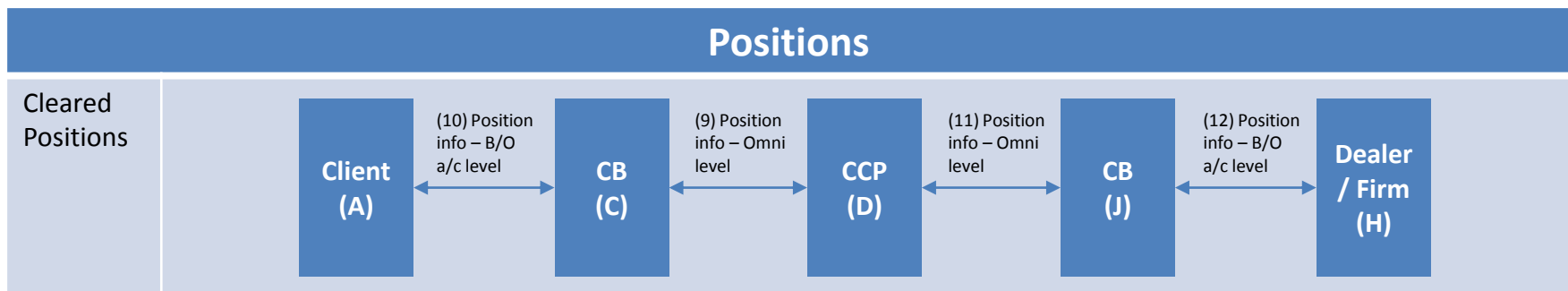
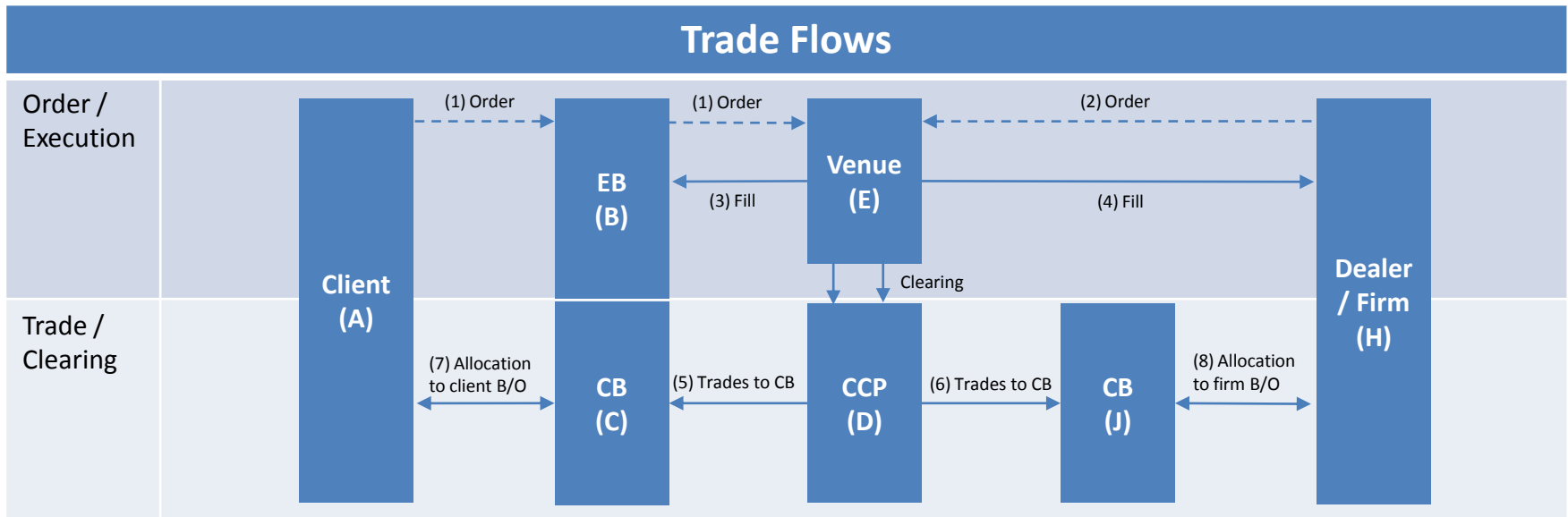
- Therefore, we conclude that counterparties will report trades at the cleared level, providing clearing takes places at T+0.
- As a consequence:
  - Either the EB or the CB should report trades as one counterparty.
  - CCPs should report trades as the other counterparty.
    - CCPs currently only know CB as counterparty.

# Reporting Approaches for ETDs

Approach	C'pty	Trade	Pos	Benefits	Points for consideration
<b>Option 1</b> Client and CCP report trades and positions	EB			<ul style="list-style-type: none"> <li>Minimises reporting parties and volume of reports</li> </ul>	<ul style="list-style-type: none"> <li>CCPs and clients are not counterparties to each other</li> <li>Omitting clearing members as reporting counterparties will result in <b>single sided reporting</b> by both CCP and Client               <ul style="list-style-type: none"> <li>CCP reports CB as counterparty</li> <li>Client reports CB as counterparty</li> </ul> </li> <li>Non alignment to MIFID reporting</li> </ul>
	CB				
	CCP	Y	Y		
	Client	Y	Y		
<b>Option 2</b> EB, Client and CCP report trades CB, Client and CCP report positions	EB	Y		<ul style="list-style-type: none"> <li>Alignment to MIFID reporting               <ul style="list-style-type: none"> <li>MIFID reporting obligation is for EB and clients</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>EMIR reporting               <ul style="list-style-type: none"> <li>CCP required to report as a counterparty</li> <li>CCP does not recognise EB as counterparty</li> <li>EB as reporting counterparty will result in <b>single sided reporting</b> by CCP</li> </ul> </li> </ul>
	CB		Y		
	CCP	Y	Y		
	Client	Y	Y		
<b>Option 3</b> CB, Client and CCP report trades and positions	EB			<ul style="list-style-type: none"> <li>Reflects true relationships of market participants               <ul style="list-style-type: none"> <li>CCP reports CB as counterparty</li> <li>Client reports CB as counterparty</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Non alignment to MIFID reporting</li> </ul>
	CB	Y	Y		
	CCP	Y	Y		
	Client	Y	Y		

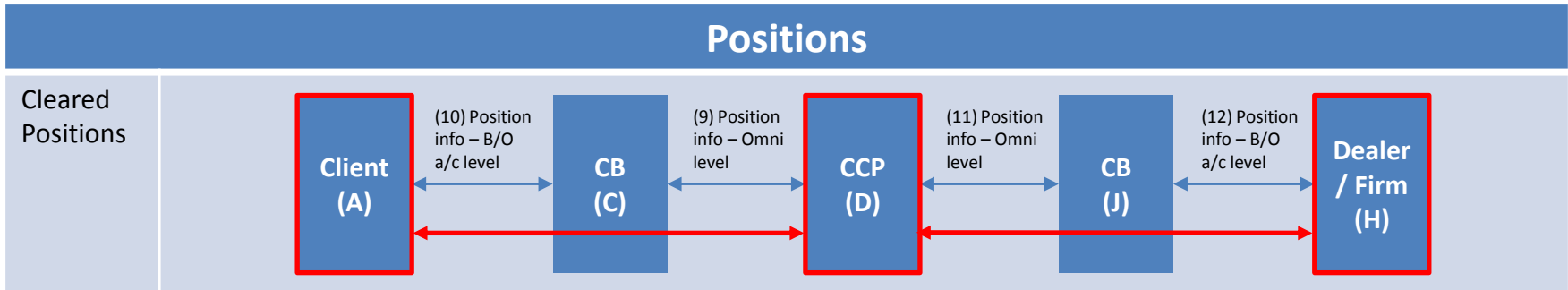
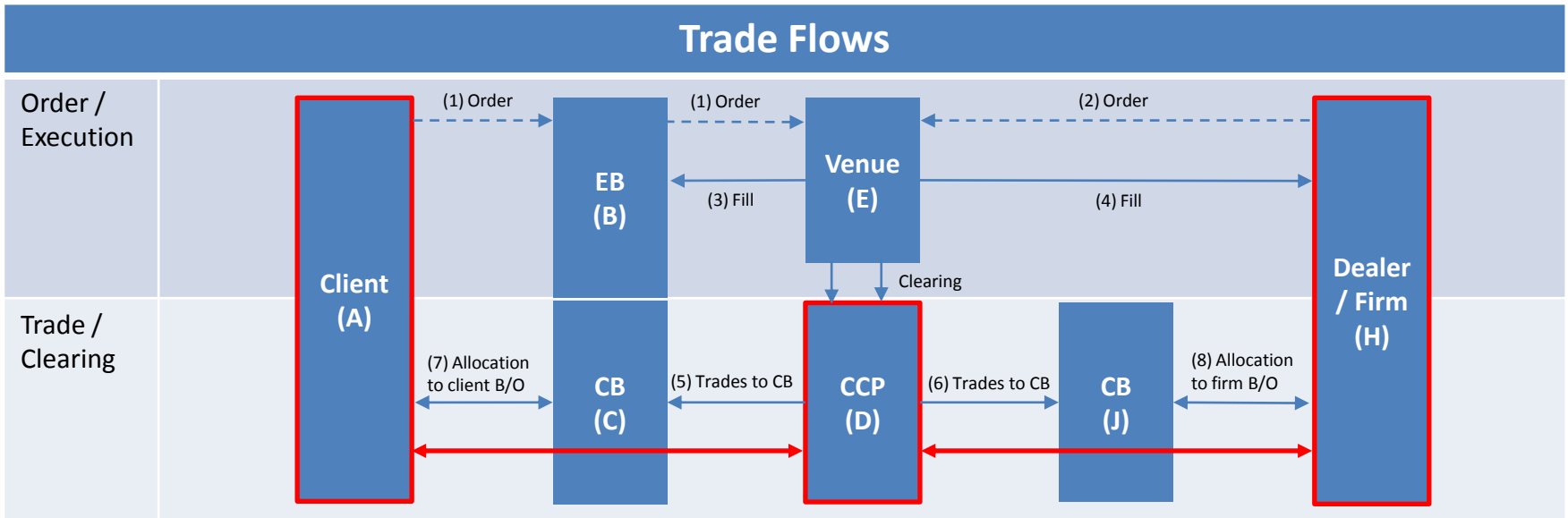
**Further to FOA's comments on ESMA's draft EMIR transaction scenarios, 14 March 2013, Option 3 is the ETD industry's proposal.**

# Participants in a typical ETD trading scenario



# Option 1

Client and CCP report trades and positions.



Key points to note:

- Client and CCP have to report, even though other parties are also principals.
- There is currently no direct transaction between CCP & Clients.

indicates **who** reports

indicates **what** is reported

# Option 1 - Reporting

Client and CCP report trades and positions.



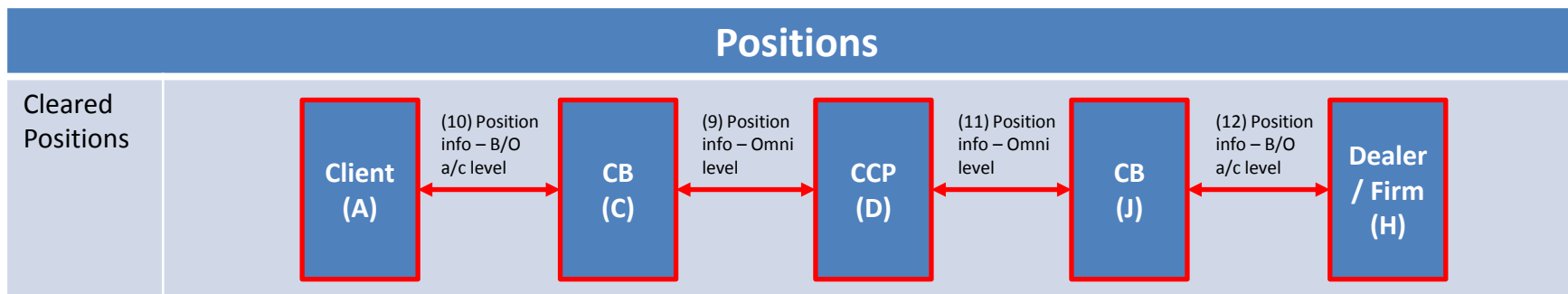
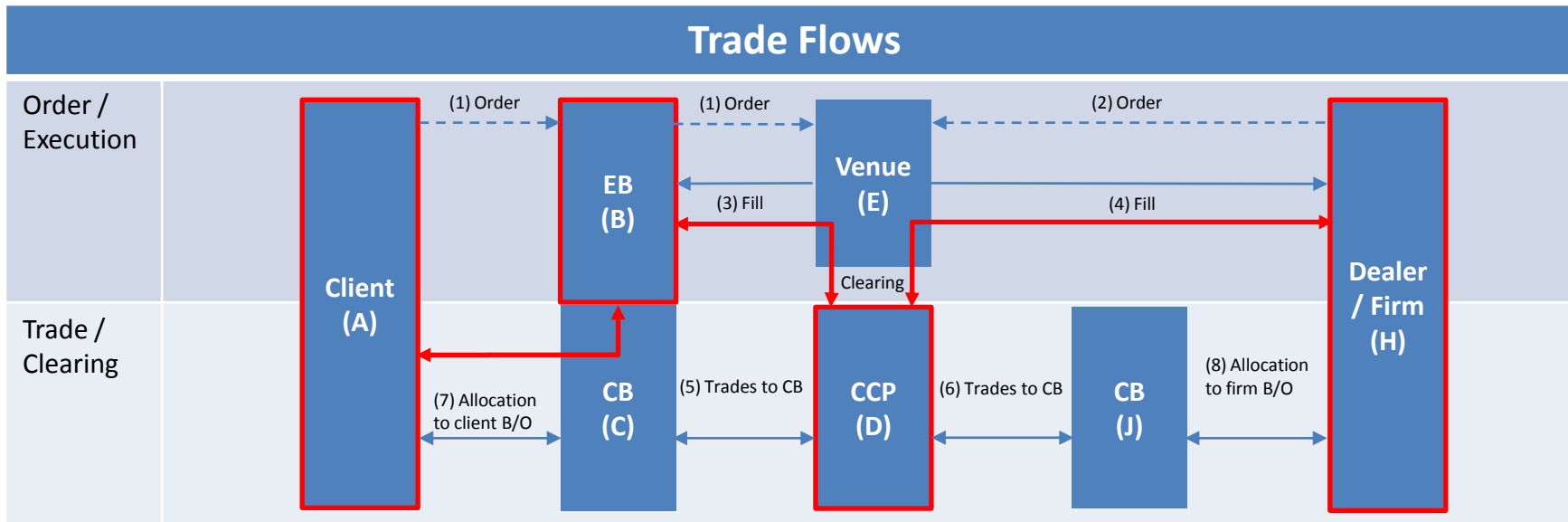
#	Report Type	Cleared	Trade ID	Cpty ID	Other Cpty ID	Clearing Member ID	Trading Capacity	Quantity	Execution Venue	MTM	Value of Collateral
1	Trade	Y	T001	Client (A)	CCP (D)	CB (C)	P	50	IFEU	N/A	N/A
2	Trade	Y	T001	CCP (D)	NK-1	CB (C)	P	-50	IFEU	N/A	N/A
3	Trade	Y	T002	Firm (H)	CCP	CB (J)	P	-50	IFEU	N/A	N/A
4	Trade	Y	T002	CCP (D)	NK-1	CB (J)	P	50	IFEU	N/A	N/A
5	Position	Y	P001	Client (A)	CCP (D)	CB (C)	P	50	N/A	Y	Y
6	Position	Y	P001	CCP (D)	NK-1	CB (C)	P	NK-2	N/A	NK-3	NK-4
7	Position	Y	P002	Firm (H)	CCP (D)	CB (J)	P	50	N/A	Y	Y
8	Position	Y	P002	CCP (D)	NK-1	CB (J)	P	NK-2	N/A	NK-3	NK-4

## NK - Not Known:

- **NK-1** - Client will likely know the CCP, but CCP will not know the identity of the Client.
- **NK-2** – CCP primarily has the aggregate (long & short) positions held by its clearing members under the omnibus structure, not individual client positions
- **NK-3** – As above, CCP may not know individual client positions, therefore hold no MTM on individual client positions.
- **NK-4** – As above, CCP only has the value of collateral pledged by clearing members; this is aggregated across all client omnibus positions and subject to netting.

# Option 2

EB, Client and CCP report trades.  
 CB, Client and CCP report positions.



indicates **who** reports  
← indicates **what** is reported



# Option 2 - Reporting

EB, Client and CCP report trades.

CB, Client and CCP report positions.



#	Description	Cleared	Trade ID	Cpty ID	Other Cpty ID	Clearing member ID	Trading Capacity	Quantity	Execution Venue	MTM	Value of Collateral
1	Trade	Y	T001	EB (B)	CCP (D)	CB (C)	P	50	IFEU	(N/A)	(N/A)
2	Trade	Y	T001	CCP (D)	NK-1	CB (C)	P	-50	IFEU	(N/A)	(N/A)
3*	Trade Termination	Y	T001	EB (B)	CCP (D)	CB (C)	P	50	IFEU	(N/A)	(N/A)
4*	Trade Termination	Y	T001	CCP (D)	NK-1	CB (C)	P	-50	IFEU	(N/A)	(N/A)
5	Trade	Y	T002	EB (B)	Client (A)	(N/A)	P	-50	IFEU	(N/A)	(N/A)
6	Trade	Y	T002	Client (A)	EB (B)	(N/A)	P	50	IFEU	(N/A)	(N/A)
7	Trade	Y	T003	Firm (H)	CCP (D)	(N/A)	P	-50	IFEU	(N/A)	(N/A)
8	Trade	Y	T003	CCP (D)	NK-2	(N/A)	P	50	IFEU	(N/A)	(N/A)
9	Position	Y	P001	CB (C)	CCP (D)	(N/A)	P	50	(N/A)	Y	Y
10	Position	Y	P001	CCP (D)	CB (C)	(N/A)	P	-50	(N/A)	Y	Y
11	Position	Y	P002	CB (C)	Client (A)	(N/A)	P	-50	(N/A)	Y	Y
12	Position	Y	P002	Client (A)	CB (C)	(N/A)	P	50	(N/A)	Y	Y
13	Position	Y	P003	CB (J)	CCP (D)	(N/A)	P	-50	(N/A)	Y	Y
14	Position	Y	P003	CCP (D)	CB (J)	(N/A)	P	50	(N/A)	Y	Y
15	Position	Y	P004	CB (J)	Firm (H)	(N/A)	P	50	(N/A)	Y	Y
16	Position	Y	P004	Firm (H)	CB (J)	(N/A)	P	-50	(N/A)	Y	Y

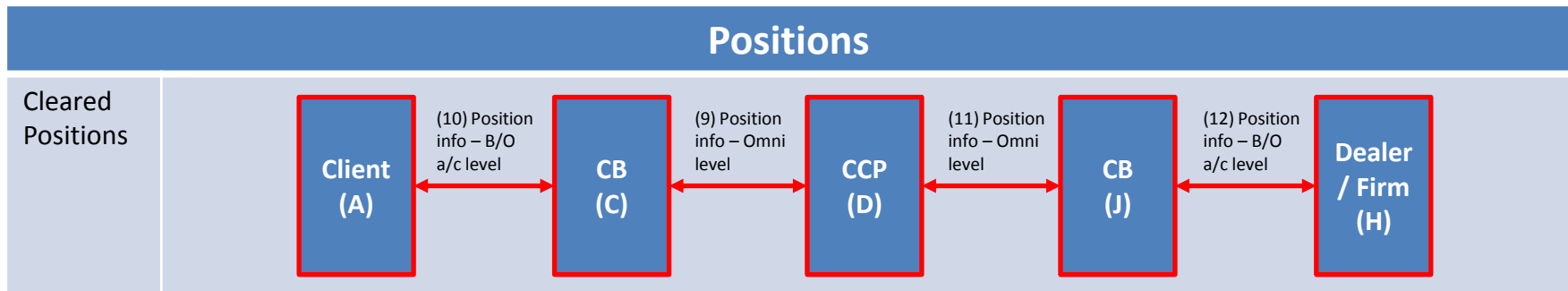
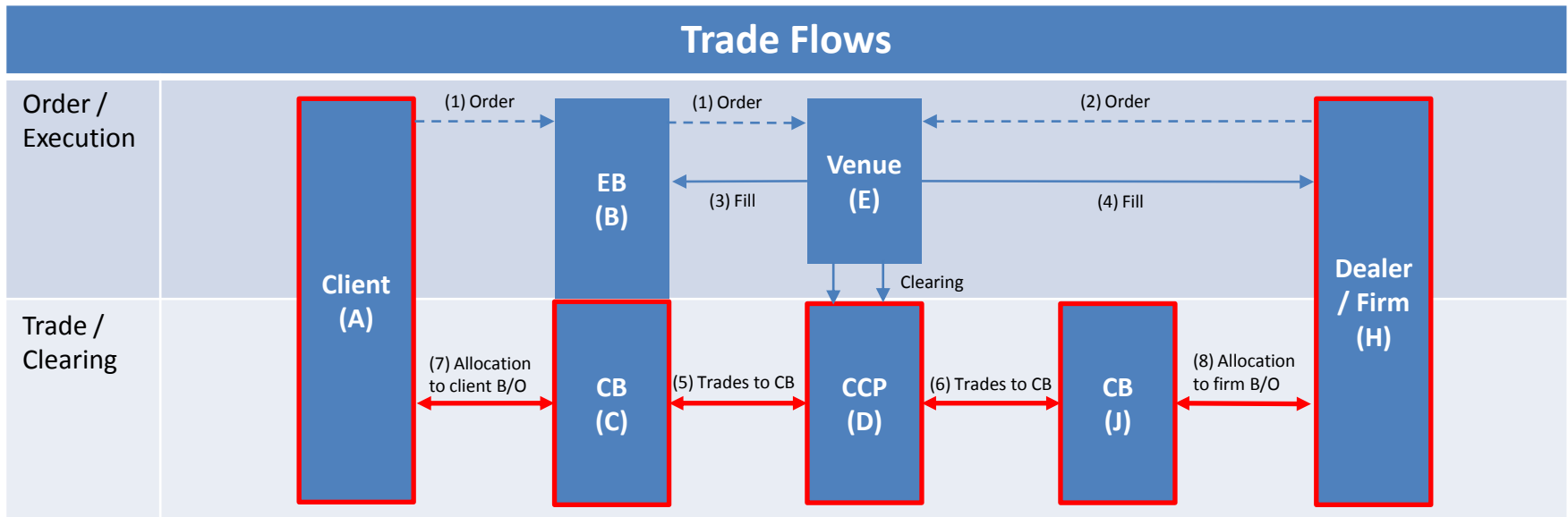
NK - Not Known:

- NK-1 / NK-2 – EB will likely know the CCP, but CCP may not know the identity of the EB.

(\*) Note: once clearing takes place the trades executed by the EB will be terminated, as the EB will no longer be a party to the trade.

# Option 3

CB, Client and CCP report trades and positions.



indicates **who** reports

← indicates **what** is reported

# Option 3 - Reporting



CB, Client and CCP report trades and positions.

#	Description	Cleared	Trade ID	Cpty ID	Other Cpty ID	Clearing member ID	Trading Capacity	Quantity	Execution Venue	MTM	Value of Collateral
1	Trade	Y	T001	CB (C)	CCP (D)	(N/A)	P	50	IFEU	(N/A)	(N/A)
2	Trade	Y	T001	CCP (D)	CB (C)	(N/A)	P	-50	IFEU	(N/A)	(N/A)
3	Trade	Y	T002	CB (C)	Client (A)	(N/A)	P	-50	IFEU	(N/A)	(N/A)
4	Trade	Y	T002	Client (A)	CB (C)	(N/A)	P	50	IFEU	(N/A)	(N/A)
5	Trade	Y	T003	CB (J)	CCP (D)	(N/A)	P	-50	IFEU	(N/A)	(N/A)
6	Trade	Y	T003	CCP (D)	CB (J)	(N/A)	P	50	IFEU	(N/A)	(N/A)
7	Trade	Y	T004	CB (J)	Firm (H)	(N/A)	P	50	IFEU	(N/A)	(N/A)
8	Trade	Y	T004	Firm (H)	CB (J)	(N/A)	P	-50	IFEU	(N/A)	(N/A)
9	Position	Y	P001	CB (C)	CCP (D)	(N/A)	P	50	(N/A)	Y	Y
10	Position	Y	P001	CCP (D)	CB (C)	(N/A)	P	-50	(N/A)	Y	Y
11	Position	Y	P002	CB (C)	Client (A)	(N/A)	P	-50	(N/A)	Y	Y
12	Position	Y	P002	Client (A)	CB (C)	(N/A)	P	50	(N/A)	Y	Y
13	Position	Y	P003	CB (J)	CCP (D)	(N/A)	P	-50	(N/A)	Y	Y
14	Position	Y	P003	CCP (D)	CB (J)	(N/A)	P	50	(N/A)	Y	Y
15	Position	Y	P004	CB (J)	Firm (H)	(N/A)	P	50	(N/A)	Y	Y
16	Position	Y	P004	Firm (H)	CB (J)	(N/A)	P	-50	(N/A)	Y	Y

# Glossary



Term	Meaning
EB	Executing Broker
CB	Clearing Broker
CCP	Central Counterparty
Omni	Omnibus Accounts – account between 2 futures brokers where transactions of individual accounts are combined in this type of account.
Segregated Client Account	Segregation applied to the securities industry requires that customer assets being held by a financial institution be kept separate – or segregated – from the financial institution's assets.
B/O	Beneficial Owner: The underlying owner who is entitled to the benefits of ownership.
Order	An investor's instructions to a broker or brokerage firm to purchase or sell a financial instrument.
Fill	The completion of an order.
Allocation	The process of moving the trade from the executing broker to the clearing broker. Also the division of a market trade across two or more investors/funds.