Work Stream Executive Summaries

Accounting & Reporting

Headlines		
	Significant change to CM statement content and reconciliation volumes.	• CMs need to make changes to underlying statement data to reflect collateral, trades, cash postings by ISA accounts for each combination of CCP and currency. There are 15 CCPs and assuming 5 currencies and approximately 1000 accounts per CCP, it will take a minimum of 6 months to implement the required changes. This includes the testing timeframe and development of new margin algorithms. It is estimated that the number of reconciliations will be 5 times greater than existing levels due to reconciliations per CCP, which will need to be factored into capacity planning.
	Client engagement and agreement needs to be factored into the implementation timeline	• Agreements with clients will have to be established before 'go-live' on excess posting and delivery instructions to be setup for cash movement. It is estimated that this could take between 3-8 weeks dependent on the CCPs, clients and account models for 1000 accounts. This is assuming no delay in relation to the client response. This work will need to be completed regardless of the client demand and additional resources will be required to deliver this in the required timeframe.
	CM dependence on vendor products places additional pressure on implementing.	• Given that most of the market uses vendor products, CMs are partly dependent on vendors to make the necessary changes and adapt their internal processes accordingly. Based on currently available information, some vendors are targeting the end of October for core changes around account type, segregation and collateral asset tagging. However, further information from CCPs could enhance vendor requirements and further development will be needed implying additional testing for CMs.
	Operational risk around manual asset tagging	• Some changes, such as asset tagging by CCPs, will not be ready on Day 1 and will have to be handled manually thereby increasing operational risk. There could be a 5 fold increase in manual cash movements to each CCP. There is a reliance on ESMA to clarify the asset tagging requirements and CCPs to interpret them and create a scalable process.
	Implementation timeline is a challenge given the degree of change required	• It will be a challenge to complete all operational changes and test prior to go-live based on a timeline of 6 months. CMs and vendors have completed some of the work based on available CCP information. However there will be further changes required once CCPs are authorized and CMs will have to wait for vendors to complete their changes. Big bang migration ill pose significant operational risks.

Work Stream Executive Summaries

Accounting & Reporting

Key Changes Required	**Significant operational requirements to support statement content change**	• Changes will be required across collateral statements, and trade and position statements to reflect ISA requirements for excess allocation, applicable haircut and fees, which will be presented and reconciled at a more granular level. This is operationally complex due to the combination of 15 CCPs and 5 major currencies. Changes will also be required in the BAU process to cope with different CCP models and client relationships.
	Detailed information limits Operational planning.	• Changes are being made by vendors/CMs based on existing information available. However, it is expected that further development work will be required as more CCP information is released.
	Client output changes	• Client output will have to be changed to reflect ISA changes and could take considerable effort (~6 months) with regards implementation planning.. Client readiness will also be a key consideration as CMs cannot migrate changes until the client is ready.
	General ledger.	• Changes will be required in the general ledger and sub-ledger to reflect new accounts and fees in different currencies charged by different CCPs. In order to effect changes in GL, it is estimated that a 2 quarter notice period is required to begin the testing phase. This implies that the earliest point at which these changes can be tested is March 2014.
Key Challenges	**Lack of detailed information from some CCPs on account models.**	• So far only 3 of 15 CCPs have submitted their applications. Some CCP's are reluctant to confirm account models and costs until authorisation is obtained. This information is an important pre-requisite for setup/account opening process and vendor development.
	Understanding of vendor and CCP build timeline.	• Dependency on information required from CCPs and vendor build is making planning process difficult and could potentially cause delays in implementation by CMs. Given the 6 month estimated timeline, CMs will not be ready for first CCP authorization for NASDAQ which is expected in November 2013
	Effective testing timeline	• Testing statement changes will be time consuming and costly for CMs and clients. CMs may need to develop test packs and provide sample statements to clients to optimize on available time, resources and money.
	CMs need more insight to support effective client engagement	• For effective engagement to take place, CMs need to be able to approach clients with operational details, pricing information and risk disclosures so that clients can make an informed decision.

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Accounting & Reporting

Implications: Client	**Process change implications for client**	• Almost all clients take automated feeds for trade, position and cash statements from the CM. Therefore clients' BAU processes will have to change to maintain the level of control. The increased amount and different types of data they will now receive along with a higher reconciliation burden (each ISA to be reconciled). Funding requirements will also change due to separate funding for multiple ISA accounts.
	Higher cost to client due to change in process	• Clients will also need to match the level of automation with the CM which will lead to higher cost implications for clients to implement these operational changes. • Additional resource pressure (higher administration complexity, higher account activity and subsequent operational costs) is incurred by CM's who might seek to recover a proportion of costs from clients accordingly.
Implications: Operational	**Transition impact**	• The highest levels of transition impact will be felt across: account opening and setup of client preference for excess treatment, fee changes and end-to-end testing of client statements. In the past decade, the focus for ETD has been on automation but now with fundamental operational changes in a relatively short timeframe, the industry will have to rely on manual solutions to achieve compliance until automated solutions are developed.
	BAU Impact	• High impact due to changes required in general ledger and sub-ledger. Changes need to be implemented to reflect new model in web driven output which will impact go-live timelines. The number of reconciliations will grow and more resources will be required to manage the process.
Key areas of uncertainty	**Low level detail of some CCP "Go Live" propositions**	• Some uncertainty exits regarding the specific details of the CCP models offered for Day 1. Much of this detail will drive the vendor and CM implementation and testing plan to mitigate operational risks.
	Implementation scenarios	• Uncertainty exists around agreed protocol for some implementation scenarios. For example will CMs need to migrate as soon as CCPs are authorised or will there be a transition timeframe after CCP authorisation.

Work Stream Executive Summaries

Banking & Treasury

Headlines	**Implementation Challenges**	• Significant implementation challenges exist based on variance of CCP models, an exponential increase in the operational requirements, and the breadth of system and process change this necessitates • EMIR's Segregation and Portability elements and the variance in segregation models being adopted by 15 CCPs will create a complex operational environment for Clearing Members and their clients.
	BAU Complexity	• A complex daily operating environment will require a stable platform if high levels of operational risk are to be mitigated. • There will be an increase in balance lines under administration from 15 per 5 major CCP's (3 currencies per CCP) to c9000. Along with additional manual processing in using CCP GUI portals (Journaling). Limited information can be provided to clients at this point around account structure specifics and pricing (accounts cannot be set up in advance of disclosure from certain CCPs), which impacts on their ability to deal from the desired account structure. It is imperative that an achievable implementation timeframe is agreed to establish a stable operating environment.
	Feasibility of existing EMIR implementation timeline	• For the industry to achieve EMIR objectives and set up to manage this complexity in the prescribed timeline, CMs need to work with Regulators and CCPs to: - Resolve open questions of interpretation with both ESMA and CCPs. - Gain clarity on key procedural issues from CCPs that will enable CMs to execute groundwork prior to their authorisation, thus starting to address some of the concerns around the overall EMIR Timeframe. - Discuss concerns on the perceived gap between CCP authorisation dates and CCP's technical capability to deliver a functional service. Presently no industry vendors or CCPs offer certain technical capabilities e.g. Street-side movements.
Key Changes Required	**Increase in client account numbers and resulting processing pressures.**	• EMIR implementation will lead to a manifold increase in the number of instructions that are processed across the ETD value chain. The Working Group estimate that for each CM there will be an increase from 15 to over 9000 balance management lines across 5 major CCPs. • Based on each CM having 4/5 large asset management clients, each with 100-150 funds, with various currency accounts and each fund having an assumed presence across the 5 Major CCPs. A significant increase in balance management instructions will drive an exponential rise in processing and capacity requirements, which will need to be executed in a compressed timeframe (between 5a.m. and 10a.m.).

FOA

Banking & Treasury

Key Changes Required (continued)	**Front-to- Back systems upgrade**	• From a Banking and Treasury perspective, added model complexity and increased volumes will require a front-to-back systems upgrade and in some cases overhaul. This would include system development to implement changes to: account setup procedures, the statement reconciliation process, recall of excess and collateral posting, and the ability to manage additional processing and liquidity risk.
	Dependency upon vendors and CCPs	• Presently the industry has two principal vendors that service 90% of the market. Across the industry there is no vendor or CCP which has the technical capability for services such as Street side movements. CM's are reliant on vendors and CCP's to fill this technology gap, both of whom will face a compression of usual development timelines.
Key Risks/ Challenges	**Compressed EMIR implementation timetable**	• As of 13th August, three CCPs have made applications for authorisation. With one month remaining for submission deadlines, this means that twelve CCPs are yet to apply. Assuming they meet the deadline, this means CMs face a large 'go-live' burden with 12 CCPs being authorised in March 2014.
	Unprecedented scale of implementation challenge	• As a reference point, the futures migration from LCE to ICE Clear took Members c6 months to implement for 1 CCP. Based on this conservative comparison [ICE Clear migration was less complicated] , the implication of extrapolating this timeline for 15 CCPs is that 3-4 years of project load (assuming a level of development overlap) are to take place in a 6 month period.
	Scarcity of skilled resources	• There is an expectation that CMs will face a significant recruitment challenge in finding the number of skilled resources required to manage and deliver change programme of this scale, intensity and complexity. This is a result of not just CMs implementing EMIR, but also the resourcing requirements of other regulatory compliance initiatives that are being executed simultaneously (Basel III, IAS 32etc)
	Challenges of increased processing volume.	• Managing substantially larger volumes in a limited timeframe leads to an increase in operational risk, which would rise further if the implementation timeframe necessitates a sub-optimal target state to meet compliance deadlines. The volumes involved mean that any form of legacy workarounds or manual processing lead to operational risks.

Banking & Treasury

Key Risks/ Challenges (continued)	**Uncertainty over CCP systems development planning.**	• Questions remain on how ready CCPs will be to handle the projected significant increases in account volumes, which have the potential to impact CCP batch release times. The ramifications of CCP batches being delayed is that the 5-10AM processing window for CMs is narrowed further, resulting in the delay of internal batch runs and potential for negative client impact caused by reporting/funding delays.
	Model complexity and transit risk.	• Where a client has half their business under the CASS setup and the remainder under TTCA, the number of balance movements to be managed will increase sizeably. The transit risk exists (and expands to the UK where previously this wasn't present) where certain CCP's do not separate house and client balance movements to a Target 2 bank account. • Even if all clients were to choose client segregation, CCP's may still instruct only one balance movement across CASS and TTCA accounts, with the CM only permitted to settle through one bank account.
	Liquidity Risk	• CCP pre-funding in this instance may be required for client account buffers/operational float. However even where pre-funding exists, Excess may not be able to move between CCPs to cover deficits. The liquidity risk occurs where CMs have to pre-fund the deficit, prior to client repayment.
Implications: Client	**Lack of client readiness and time for meaningful client engagement.**	• Without specific information on available account structures or pricing, CMs cannot advise their client base effectively on the appropriate choices. This could result in a situation where CCPs gain authorisation and 'go-live' but due to delays in account setup, clients will not have the ability to deal from their desired segregated account model. This could be compounded by delays from clients in both understanding and processing new documentation required for segregated account setup.
	Potential capital burden increase	• Asset based segregation will mean restrictions on the collateral pool available to place at a CCP and could result in higher funding requirements for all clients across each CCP account.
	Transit risks around timing.	• This is exemplified where assets for deposit are received by the client after the CCP cut-offs, or where CMs get repayment from CCP in advance of being able to repay the client. Also, under the new regime, CCP'S co-mingle repayment of TTCA and CASS protected funds as a single movement which in turn creates transit risk that risk didn't previously exist in the UK.

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Banking & Treasury

<table>
<tr><td rowspan="4">Implications: Operational</td><td>BAU Operational Risk</td><td>• Processing increased volumes in a compressed timeline is only one part of this operational implication. There is also the need to mitigate a lack of “off the shelf” technology in areas such as the processing of collateral. This will potentially lead to a high level of manual processing. CMs note there are restrictions such as limits to asset transfer if attempts are made to Offshore this work.</td></tr>
<tr><td>Major effort to ensure that CCPs and CM are synchronised for Go Live.</td><td>• A sufficient window in the implementation timeframe must be factored in for testing new systems and the processing of the higher volumes, in the required timeframe to ensure readiness to deliver stable daily operations.</td></tr>
<tr><td>Onboarding equality</td><td>• CCPs need to establish a system to ensure a level playing field so that no CM is prioritized unfairly over other CMs, and to have a transparent process for CM client onboarding completion</td></tr>
<tr><td>CM OP Planning limited by lack of detailed propositions</td><td>• At present, a CCP ‘go-live’ timetable following authorisation is yet to be confirmed. As such, operational impact remains uncertain and hinders CM ability to plan. Despite this, CM’s have made best-efforts to prepare for implementation based on assumptions e.g. Treasury Preparation. Vendors have also commenced work around collateral tagging and client bucketing.</td></tr>
<tr><td rowspan="3">Key areas of uncertainty</td><td>CCP Client Account Structures</td><td rowspan="3">• A full set of questions for the Regulator and CCPs have been collated as part of this work. Key areas of uncertainty for CMs include:
- Uncertainty of these structures leads to knock on effects for all operational planning attempts. This limits the CM’s ability to: advise clients on structures, set up accounts, or prepare systems and processes.
- ‘Go-Live’ timeline following authorisation, whether CCP implementation will be staggered or “Big Bang”.
- There are gaps in certain key details from some CCPs such as: GUI capacity and account procedures (segregation buffers, money flows and trust letters).</td></tr>
<tr><td>ESMA Authorisation approach.</td></tr>
<tr><td>Detail of some CCP propositions</td></tr>
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Clearing & Core Operations

Headlines		
	Need for more detailed information on CCP propositions and implementation plans.	• Challenges relating to EMIR's Segregation and Portability sections for Clearing and Core Operations are consistent with the themes emerging from other Working Groups, namely; an appetite for detailed information on CCPs propositions, Clarification of elements of the EMIR regulation guidelines, and the Scale of the operational and system change required for transition and BAU. • CMs are awaiting further information from CCPs around account models and fees to facilitate informed discussion with clients regarding their account model preferences and service uptake. Practical challenges arise due to the divergence in models across CCP's. In addition to this, CCP's have shared limited details around implementation roadmap around clearing.
	Significant operational change required across the clearing value chain.	• All sub-processes in core operations and clearing flow will be impacted due to segregation requirements. A number of operational changes will be required across: position management, allocation and reconciliation processing to be able to handle the new ISA account model. New intra-day timelines place added stress on CMs to accurately manage books and records across CCPs on 'T'.
	Impact of client on-boarding in compressed timeframe will impact the overall go-live	• The CMs will need to open new accounts on the client's behalf, setup instructions and client preferences prior to go-live. Also CCPs need to be able to process large volume of applications in a short window following authorisation. These challenges could impact overall go-live timelines.
	Proposed EMIR implementation challenge poses a significant operational challenge and risk.	• The scale of changes to implement and test with all stakeholders in a limited timeframe will be a challenge for CMs to meet the current EMIR deadline for CCP authorisation. Based on a high level estimate from the CMs, it would take approximately 6 months to complete changes for each CCP. This estimate is based on the effort required in a previous ICE migration, which represented 1 CCPs worth of project load and was less complex than EMIR (I.e. No account segregation).

Clearing & Core Operations

Key Changes Required	**Significant process and capacity change requirements across the trade life cycle.**	• CMs will need to make large scale changes to the BAU processes of trade execution, allocation and reconciliation to meet the new segregation and portability requirements. For example, assuming 1000 accounts/CCP and 4 reconciliations per account (Trade/Position/Fees/Equity), there will be 4000 items to reconcile per CCP daily. Thus the sheer volume of accounts will grow exponentially, raising capacity issues.
	Challenge in meeting cash cut off times	• A delay in completion of daily reconciliation process will impact the cash cut offs for making payments to various CCPs accurately.
	Allocation processing is an example of a function that will need to undergo transformation.	• Allocation processing is one of the areas requiring large and complex change from a CM perspective. Splitting the block trade into ISA accounts by clearing broker, feeding allocations using CCP API, handling failed give up trades and average pricing all require significant operational changes and testing effort from CM and vendors.
	On-boarding activities for new account models will be significant [clarify point]	• There will be a number of account setup and other setup activities (SSIs, reference data, rules, user access setup) as part of on-boarding for new account models. Assuming 1000 client accounts per CCP, this could take considerable time to complete setup on all CCPs (EUREX will take approx. 5-7 working days per account setup). This needs to be factored in the overall timeline planning.

Clearing and Core Operations

Key Risks / Challenges	**Delivering EMIR in the required timeline will be a major challenge.**	• The key challenge is the ability to complete all required changes in a congested timeline based on CCP authorisation which provides the CM, with a window of 6-7 months to deliver all changes. The implication of extrapolating the 6 month timescale for 15 CCPs is that 3-4 years of project load (assuming a level of development overlap) is required in a 6 month period, working on the assumption of a big bang approach to prioritization.
	Levels of client engagement are limited by the CCP proposition detail made	• There is a dependency on clients confirming in writing their choice of account model and excess allocation to initiate setup activities. However due to uncertainty on CCP models, the level of CM and client communication is limited without sufficient content, leading to difficulties in estimating service uptake at this point. CMs estimate that the demand will be high while CCPs estimate it to be on the lower side based on previous experience from the US. We believe that CCP's estimates are extremely conservative.
	Imperative that the Testing timeframe is reflective of the scale and complexity of the required change.	• A number of operational changes need to be documented, implemented and tested fully and this effort will vary depending on the account model offered by different CCPs. An estimated 2 month testing timeframe has been built into the high level estimate of 6 months for all changes. (CCPs conduct major annual upgrades and on two occasions where vendors have not achieved system readiness and CCPs were required to delay implementation). There is also a testing requirement between CCPs, CMs and Clients outside of this timeline.
	Development resource scarcity will need to be mitigated to deliver implementation.	• There are limits as to the development resource pool available to affect this change in the given timeframe. In house resources are currently deployed on other EMIR preparation projects; CCP Infrastructure changes (Trading and Clearing with Q3/4 testing and Q1 2014 implementation), Non-seg to House Omnibus/House Affiliate migration, along with other regulatory activities (Basel III, IAS 32)
	Coordination across the ecosystem to deliver a stable BAU platform.	• Coordination with Vendor, CCP and clients for system changes, account opening, sequencing of setup activities and end-to-end testing prior to go-live will be logistically challenging as each entity could be at different stages of implementation. In addition to this, repeat testing will be required on each CCP due to a variation in account structure.

Work Stream Executive Summaries

Clearing and Core Operations

Implications: Client	**Potential reduction in service range for clients.**	• Some clients/Asset managers use the average pricing function for their fund accounts. Certain CMs will not be able to provide averaging for ISA accounts. Therefore clients will have to choose between using ISA account without averaging or Omnibus account with averaging. (check with Mark)
	Any rushed implementation may impact effectiveness of EMIR regulation.	• The knock on effect is that the retention of the ability to average (which is intrinsic to both Asset Manager and Hedge Fund dealing) may result in a client having to choose a certain account model. This may not provide them with the segregation they need in practical terms.
	Potential for significant Client system upgrades	• Client in-house interfaces will have a level of built-in automation developed to improve internal efficiency and reporting quality. Clients will now face a choice between having to make investment in automating new CM information feeds to match their systems, or face degradation in efficiency/reporting. Clients will also be impacted directly due to changed fee structures based on the account model chosen.
	Clients will need to be involved in the migration to the new environment if a stable platform is to be implemented.	• Clients will have to participate in account setup, documentation and define excess allocation. This will add to their administrative burden. They will also have to engage in testing and implementation activities with CMs, resulting in time, effort and cost implications for clients.
Implications: Operational	**Increase in BAU operational risk particularly around completion of recs in compressed timeframe**	• Changes in trade execution, allocation and reconciliation process will have to be implemented to allow trading in multiple ISA accounts and ensure consistency of books and records at a more granular level in a short timeframe. • CCP files to support reconciliations are received early morning on T+1 and a number of activities need to be completed before market open; Trade Position Reporting, Cash (Funding) and open interest reporting along with assignments. There is a significant operational risk in completing this process in a compressed time period of, in some cases 3-4 hours. This could be further compounded by CCP batch processing delays.

Clearing and Core Operations

Implications: Operational (continued)	**Dependency on on-boarding/setup completion.**	• New accounts will need to be opened internally in CM systems and externally with CCPs, custodians and relevant instructions need to be setup. Documentation and agreements will have to be updated to reflect segregation and fee changes.
	Testing timeline and resourcing needs due consideration	• The BAU changes and setup will have to be tested end-to-end with all participants which is estimated at 2 months/CCP and all these activities will have direct implication on timelines. There will be substantial pressure on Operations resources if CMs need to go-live on multiple CCPs at the same time and managing complex issues in parallel will be extremely challenging.
Key areas of uncertainty	**Uncertainty on CCP proposition.**	• CCPs are not obliged to disclose their offering until they are authorised by the regulator. This uncertainty is creating a dependency for vendors and CMs to make changes in their processes as they have to be in line with CCP offerings.
	Client uncertainty and level of take-up.	• Clients do not have complete information to be able to make an informed choice on the account models, excess allocation and other operational aspects. Hence some of the setup activities that could have been done upfront, cannot be initiated by the CMs as yet.

Legal Documentation

Headlines		
	Significant change required in a compressed timeline within the context of a congested regulatory landscape.	• The degree of change that is taking place for the industry to be compliant with EMIR segregation is significant. The challenges associated with this change are magnified in light of the compressed EMIR implementation timelines. EMIR changes should be viewed as one part of a broader landscape including: CRR/CRD IV, IAS 32 and amendments to Part 7 of the Companies Act 1989. These add additional layers of complexity in achieving EMIR objectives within the timescale.
	Collegiate effort and early engagement is required to ensure EMIR objectives are achieved.	• There are fundamental timeline issues that cannot be addressed without external influence from CCPs and regulators. Dialogue with Regulators and CCPs needs to be amplified as the industry works through the details of implementation to ensure greater transparency and clearer interpretation of the regulation. A forum where discussions can be directed to all regulatory bodies would be of value.
	Level of variation in segregation models introduces an increased level of systemic risk.	• Europe has more than 7 different segregation models that CCPs will offer. The number of models available to clients will add to the implementation challenge for clearing members and poses the risk of confusing clients, which increases the need for sufficient communication time. The need for clearing members to keep track of changes to the terms across a wide variety of documents across CCPs and clients introduces systemic risk due to the volume of change to be implemented by a potentially limited pool of resources.
	Feasibility of the EMIR Timeline is questionable given the lead time for legal documentation changes.	• Legal teams are aiming to disclose their offerings and repaper clients in line with the CRD IV/CRR timelines of 1st January 2014 to meet legal requirements. In order to meet this timeline, clearing members need to gain greater clarification from regulators on the definition of certain facets of the regulation in order to proceed and complete the implementation. • The prevailing view among clearing members is that the legal documentation process will take between 6-12 months to complete based on prior experience of the LCH move to IceClear where the onboarding took 6 months. However, in this example there was a much greater level of disclosure than the present situation with CCPs.

Legal Documentation

Key Changes Required	**Volume of repapering and supporting flows will be significant.**	• The scale and scope of the changes that are required from the industry to deliver EMIR compliance from a legal documentation perspective is large. The volume of repapering and consequential outflow / inflow will have a significant impact on operational processes. At a minimum every client will need an addendum on top of their existing Terms of Business for EMIR. At the maximum a complete repapering and consequential renegotiations may be required.
	Authorisation Rule Book Changes increases the administrative burden.	• Upon authorisation, CCP rule books may differ from the draft rule books on which clearing members have based their documentation. For each change to a CCP rule book, the clearing member would have to repaper. If CCP authorisation is staggered this could mean multiple repapering for the same client, introducing additional risk to the clearing member and client due to the volume of documentation exchanged.
Key Challenges	**CCP Proposition and Implementation Transparency**	• Greater visibility across CCP offerings, specifically their rule books and the approach by regulators to Authorise/Recognise CCPs is required. In addition to this, operational implementation plans will assist CM's in preparing accordingly.
	CMs proceeding on the basis of assumption and interpretation of regulatory guidelines.	• Operational Risk is introduced as CMs are planning their implementation approach and require increased dialogue with regulators to ensure their interpretation is compliant. There is an associated level of operational and compliance risk in proceeding on the basis of significant assumptions such as the details in rule books or interpretation of offering, respectively
	Sensitivity of CCP propositions and interpretation of regulation.	• Key operational areas such as Disclosure, Client Documentation and Records Management are highly sensitive to details contained in CCP rule books and to interpretations of regulations. There is a significant implementation challenge to members if timely clarity is not gained.

Legal Documentation

Implications: Client		
	Increased volume of documentation for the Client to manage	• The implications to the client from a documentation perspective in implementing EMIR compliance changes are primarily an increase in the volume of documentation. There will be an increase in administration and interaction with clearing members and CCPs. Clients will also have to prepare for CCP authorisations on a rolling basis and the associated draft paperwork and repapering's prior to, and upon authorisation respectively.
	Increased legal and operational risk if client education is not provisioned for in implementation plans	• There may be increased legal and operational risk where clients do not understand the permutations available to them and select a model that is not suited to their needs. Due to the complexity of offerings, clearing members would need to ensure sufficient engage with client for them to make a suitable informed decision. • Some models that are currently badged as 'Individual Segregation' will be Omnibus models under EMIR as they are tagged by value not asset. There needs to be additional consideration by clearing members to ensure clients understand their models. It is possible that some clients will not consider the scale of change any thought until the repapering, thus posing further risk around client readiness.
	Client CSD and middleware providers agreements.	• Additional paperwork for the client should be considered for CSDs (Central Securities Depositories) or any middleware provider. The client needs to be aware that there may be terms within agreements between themselves and a CCP that overrule terms in agreements between them and a clearing member.
	BAU implementation and operating costs	• Due to the scale of the change by the industry, it is expected that the client would experience an increase in costs associated with segregation changes, both in the form of passed on costs from the CCP and clearing member as well as their own resourcing, training and operational change costs.

Work Stream Executive Summaries

Legal Documentation

Implications: Operational	**Significant market competition for qualified, scarce resource to deliver implementation.**	• There will be a significant demand on resources, specifically legal teams for redrafting paperwork and also a demand for trained resources understanding the documentation and the offering permutations available to the client. There is a limited skilled resource pool in the market to cater for this demand and it will be required across the industry, CCPs and clients.
	Business as Usual resources requirements.	• Record keeping, managing the inflow and outflow of documentation, evidencing and auditing contact with clients will be an additional demand on operational process. This will be additional workload that is on top of business as usual processing
	Wholesale change of Terms could lead to client negotiation and impact overall implementation timeframes.	• For some clients, clearing members will be able to supplement older legacy agreements with documents such as the FOA Clearing Module and avoid the full repapering route. For other clients, who have been with clearing members for 20 years for instance, this may require a full repapering. There may also be clients that would like to take the opportunity to change some of their terms, which would mean negotiations. Clearing members need to consider that negotiations could ensue across a large number of clients which would impact resourcing and could vary in timescales from 6 months to 18months+ depending on the size of the client.
Key areas of uncertainty	**Reliance on Regulators interpretation of provisions.**	• There are overarching areas of uncertainty for clearing members around regulators interpretation of provisions, and ensuring they comply for implementation.
	Clarification required on definitions and the approach to negative affirmation.	• The primary area of uncertainty is the interpretation of certain EMIR articles. The definition of 'excess' and 'to offer' and what to do in the event of non-responsive clients, needs to be clarified so that the industry can execute segregation changes in a consistent and efficient manner.
	Indirect Clearing	• There are many open questions around indirect clearing, such as the protection of the clearing member for porting.
	Article 38.	• Although this wasn't discussed in the workshop due to Competition Law, consideration must be made for differences in interpretation by clearing members of this Article and varying granularity in fees.