

GET SET FOR EMIR

THERE ARE SOME PRACTICAL STEPS YOU CAN TAKE TO PREPARE FOR TRADE REPORTING. DANIEL CORRIGAN EXPLAINS

Trade reporting of derivatives will be mandated and start on 12 February 2014, when existing and new trades must be reported to a registered trade repository. This is a major milestone for the European Securities and Markets Authority (ESMA) in terms of the European Market Infrastructure Regulation (EMIR). While it is a major milestone for ESMA, it is an operational headache for the financial industry as a whole and, in particular, for the financial and non-financial counterparties (NFCs) that will be affected. There are concerns across the industry regarding being compliant in time, and there is still confusion surrounding definitions and work flows, and the lack of clarity is making it difficult to comply.

EMIR allows for counterparties to use a delegated service provider, such as a bank, to report on their behalf. These providers could be a counterparty, an operations provider or a third party.

Here is a checklist of actions you can take now while the rest of the landscape unfolds (see right). Included below is a brief overview of the EMIR reporting obligations. ♡

EMIR reporting obligation checklist to help you get ready for reporting on 12 February 2014

1. Obtain a legal entity identifier (LEI) from your LEI local operating unit (the list is found at www.leiroc.org).
2. Decide which transactions, including intragroup transactions, fall under EMIR reporting requirements.
3. Speak to your counterparties about your delegated reporting options, including unique transaction identifier generation.
4. Receive all relevant counterparties' static data, including their LEI. Do not rely on searching for this on an LEI provider's website as this is prone to error.
5. Decide whether to report directly or use delegate reporting.
6. Understand different trade repositories' offerings in terms of:
 - a. security and reliability
 - b. fees
 - c. technical efficiencies
 - d. customer service
7. Select your trade repository and undergo user testing.
8. Sign user agreements.
9. Start reporting.

EMIR REPORTING OBLIGATION OVERVIEW

Which trades must be reported?

Subject to limited exceptions, all exchange-traded derivatives and OTC derivatives traded must be reported to a trade repository. Intragroup transactions must be reported as well.

By whom?

All financial counterparties, NFCs and central counterparty clearing houses will have to report their trading data.

How quickly?

Trades must be reported to the trade repository by the end of the following working day (End of Day T+1).

When does it start?

12 February 2014.

What data has to be reported?

Twenty-six information fields of counterparty data (participant IDs, valuations, etc) and 59 fields of common data (trade details, clearing, contract type, etc) must be reported for each trade. Reporting of certain collateral information will be delayed by a further 180 days from the reporting commencement date.

What records must be kept?

Records of any derivatives trades must be kept by counterparties for at least five years following termination of the contract.

Is there any historical or back-reporting?

Trades outstanding on 16 August 2012, and still outstanding on

12 February 2014, will have to be reported within 90 days of the reporting start date. Trades outstanding on 16 August 2012, or which were entered into on or after this date and are not outstanding on or after 12 February 2014, will have to be reported within three years of the reporting start date.

We suggest that you engage with the trade repositories to determine which is appropriate for you. Our experience with companies reporting under the Dodd-Frank Act in the US was that many waited until the deadline, thereby minimising their options and ability to negotiate documentation. The industry still has a long way to go in a short period. We urge counterparties to start sooner rather than later.



Daniel Corrigan is executive director and CEO of European Trade Repository at CME Group. CME European Trade Repository, a CME Group company, has applied to ESMA for registration as a trade repository under EMIR in order to provide repository services

For more information, visit www.cmegroup.com/etr

