

# Implementing transaction reporting under MiFID II

## – Operational perspective

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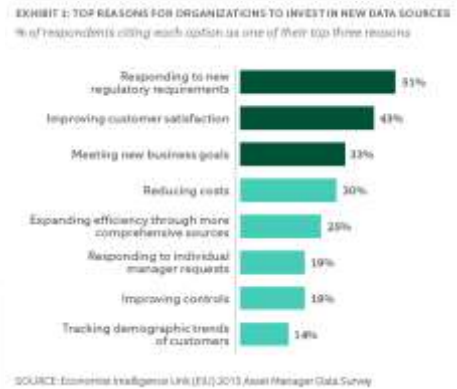
We all face the same challenge!

ESMA, NCA, ARM... all need a solution for Mifid II ready January 3<sup>rd</sup> 2018

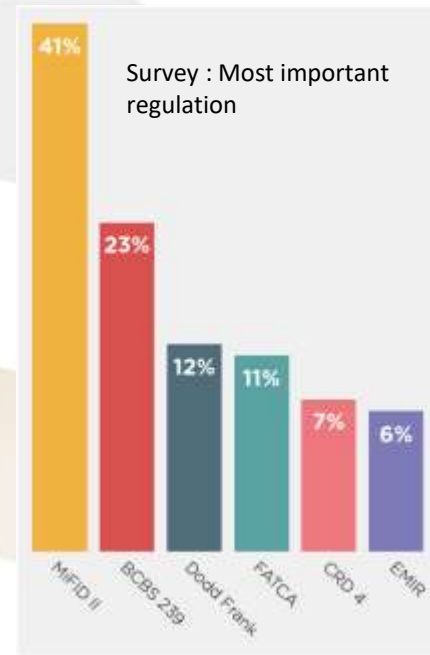
The challenges is to have a flexible set-up that can be extended to additional regulations and mitigate constant change management

The regulation is equal to all and effect all!

T+1 transaction reporting should be high on the MiFID II project agenda






Source: Northern Trust "Taming the Data set"



Source : Fima White paper "A SNAPSHOT OF CHALLENGES IN FINANCIAL DATA MANAGEMENT"

## Our experience is based upon EMIR reporting on behalf of...

-  : RP & TP for Life & Mutual funds
-  : RP & TP for Pension, Mutual funds & Inst clients
-  : RP for Pension
-  : RP for Mutual funds
-  : RP & TP for Live and Pension
-  : RP, TP & Delegations for Markets clients (sell side)

-  : Regis TR as Trade repository
-  : DTCC as Trade repository
-  : Deutsche Börse as ARM & APA

- Instrument coverage : ETD, OTC
- ETD : Futures, Options, FRA, IRF
- OTC : FX Forward, FX Swap, FX Option, IRS, TRS, CDS, Swaps, Inflation Swaps, Swaptions

# The regulation challenge – Mitigate continuous changes

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To: Mikkel Mørdrup

[MS-0047] - REGIS-TR General Notice – Adjustment of the validations on the field "Underlying ID"

18 december 2015 10:47



## REGIS-TR

EUROPEAN TRADE REPOSITORY

### GENERAL NOTICE

#### MESSAGE ADDRESSED TO: All participants

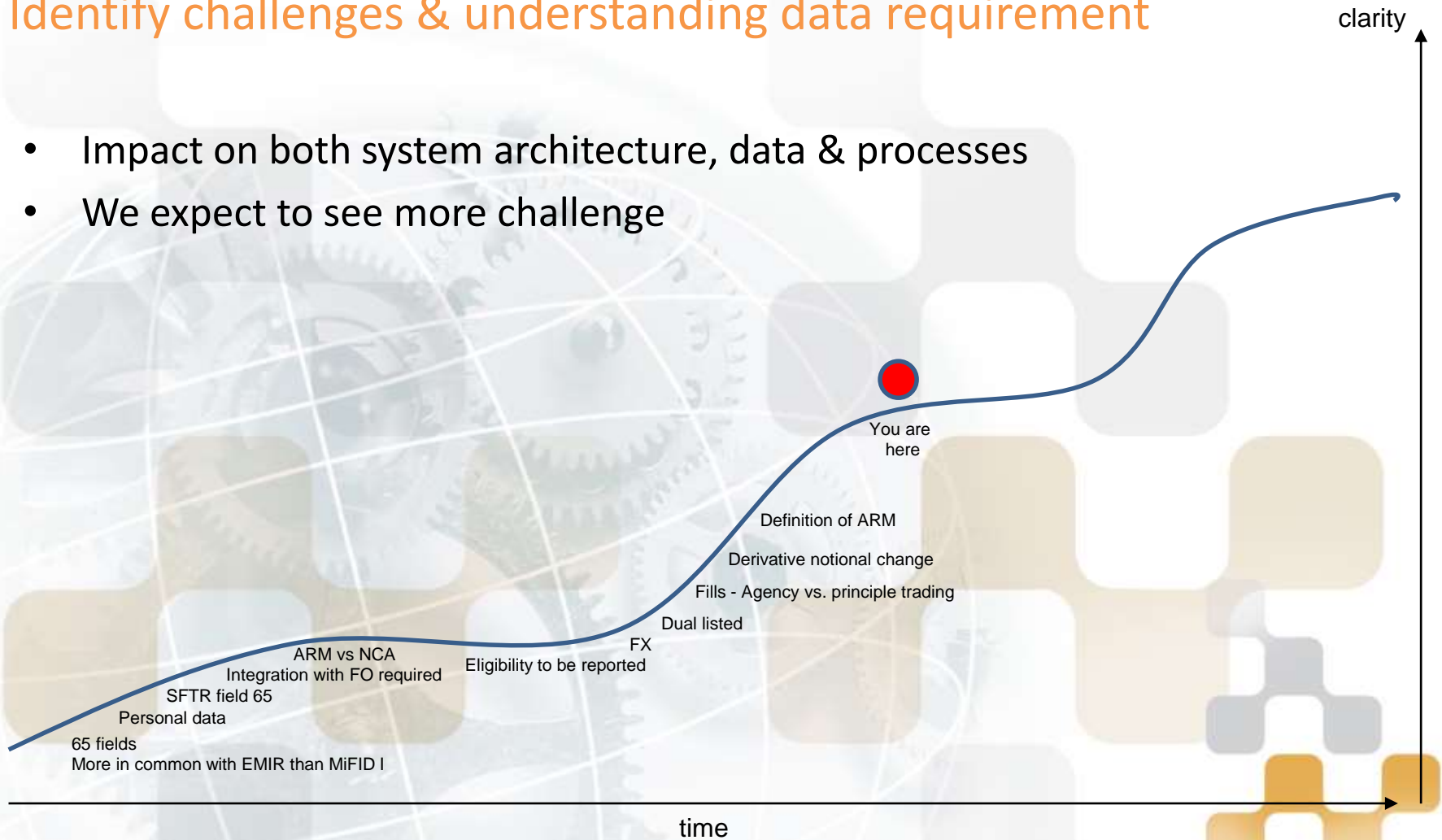
REGIS-TR would like to inform participants that some adjustments have been performed to the "Underlying ID" field, in accordance with the ESMA Level II Validations related to two of the allowed values. Meaning that when the "Underlying ID type" field is populated with "I" or "B", the only permitted values in the "Underlying ID" field would be "I" or "B" respectively:

| Value in field "Underlying ID Type" | Allowed value in field "Underlying ID" | Validation        |
|-------------------------------------|--|-------------------|
| B                                   | Value "B"                              | Direct validation |
| I                                   | Value "I"                              | Direct validation |

These adjustments has already been implemented in the UAT environment and will be deployed in the PRODUCTION environment on 11 January 2016.

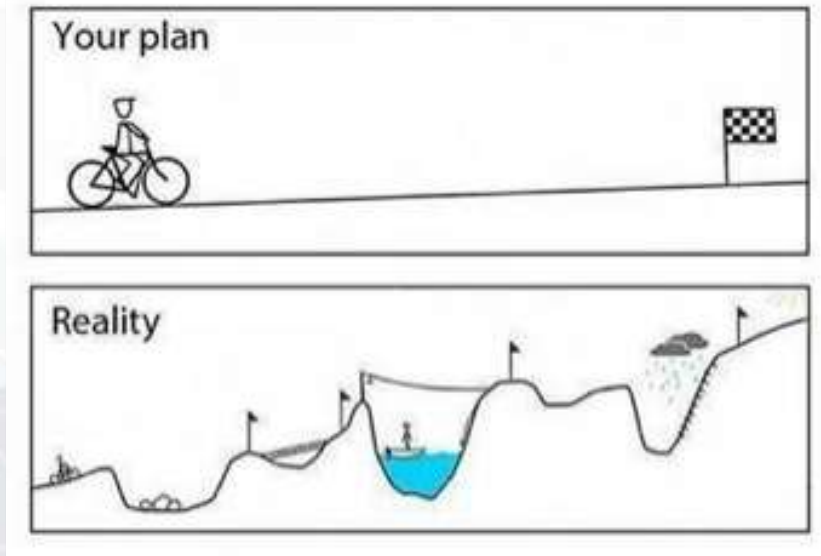
# Identify challenges & understanding data requirement

- Impact on both system architecture, data & processes
- We expect to see more challenge



## Reflections from EMIR & MIFID II

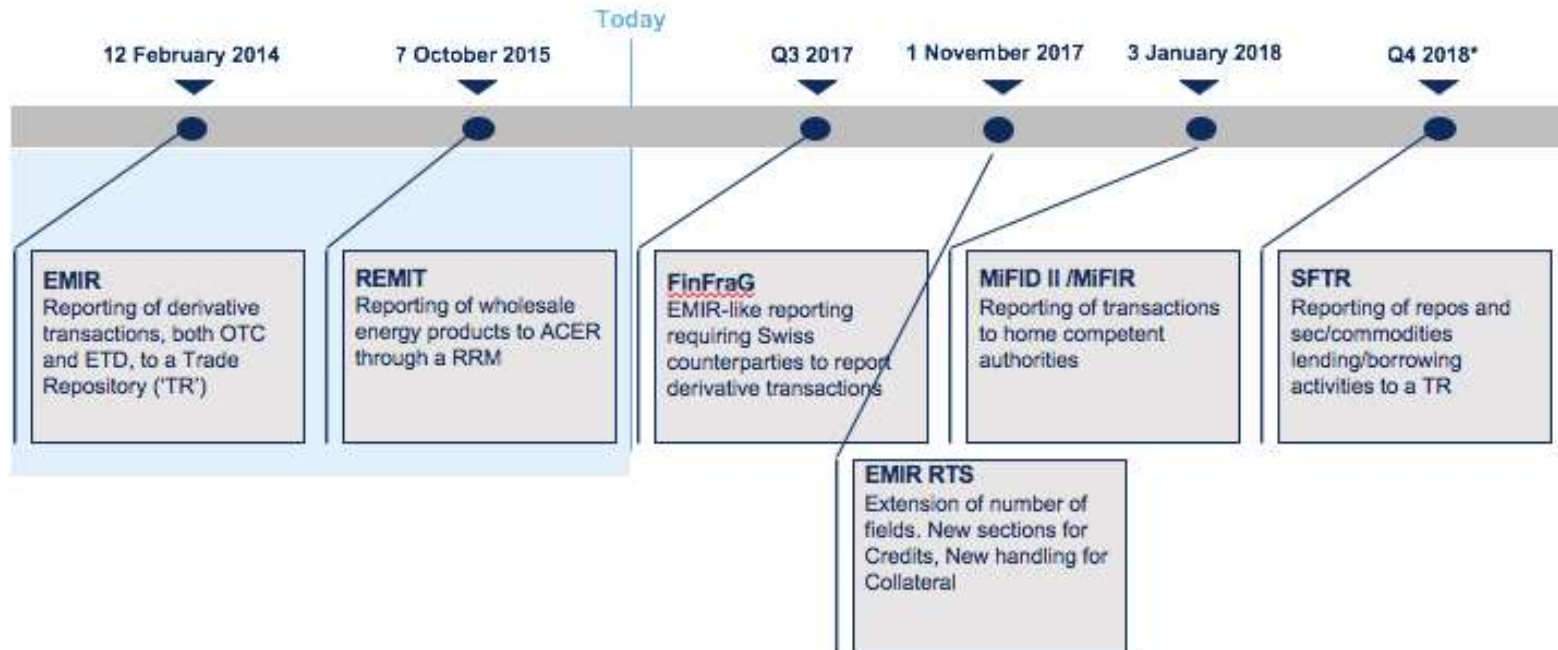
- A choice between delegate, build or buy
- Selection of “end point” (NCA, ARM, TR and/or APA)
- Nordic NCA not ready for test and focus is on my standard
- As with EMIR, uncertainty around requirements
- Easy just to see MiFID II as an extension of MiFID I
- Several system vendors will release support for MiFID II later this year



- Complexity for Buy side depends upon trading scenarios
- Key question, have you identified your data and trading scenarios?

# Timeline T+1 Transaction reporting

Source Reais TR



- UAT with MiFID II as you go into production with the new RTS
- Several system vendors will release their MiFID solution later this year
  - All test and validation have to take place during the same time frame

## Our focus right now

- Instruments in scope i.e. FX
  - Venue traded
  - OTC traded
- Eligibility – financial instruments admitted to trading on a EEA regulated venue (exchange, MTF, OTF, SI)
- Reference data (validate eligibility)
  - Firms available when?
- OTC transactions – ISIN codes
- Trade reporting (APA)
  - Investment firm selling (OTC / XOFF)
  - Connectivity
- Commodities / position reporting RTS 58

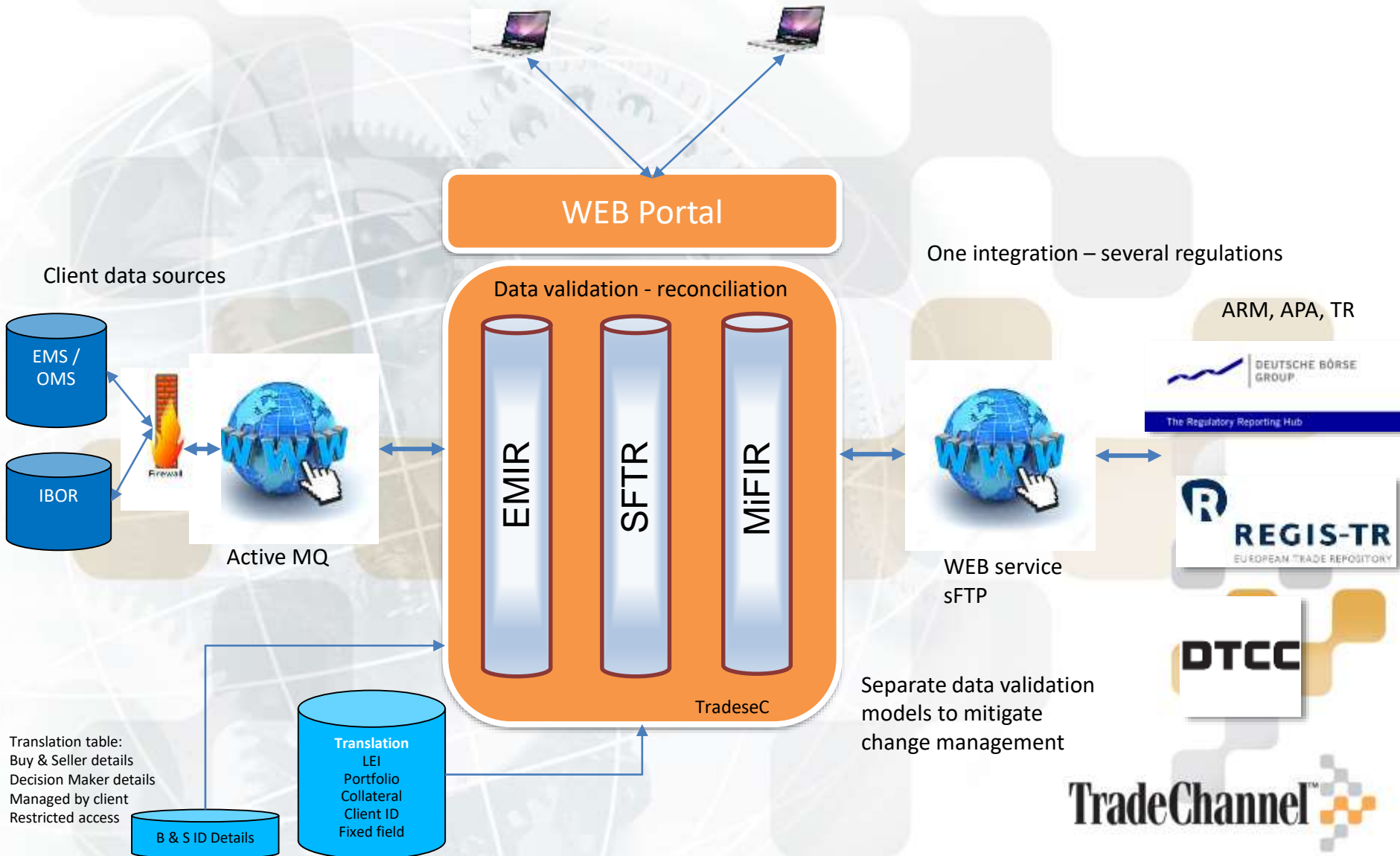


## What made us agile coping with changes

- Selection of TR was crucial – For us, a choice between DTCC and Regis TR
  - Critical success parameter was a fully automated flow from source system to TR including reconciliation
- Separating EMIR database structure from other applications relying only on raw data from source system
  - Life cycle events in depending on source system transaction / holding
  - Normalising data according to validation rules
  - Focus on connectivity
  - Running change management in freeze period without interrupting trade process, settlement or bookkeeping
- Focus on usage of LEI only from inception
- Introduction of configurable validation engine on all fields from inception
- Full support for all instruments
- Knowledge sharing between clients as the regulation is equal to all

# Our Target operation model for T+1 Transaction reporting

Assumptions : Personal data stored with ARM – ARM validate instruments against ESMA Instrument list



## Wrap up

- One integration with ARM & TR
- The data model for each regulation must be separated
- The report engine must be able to load data from several sources
- Introduce a validation model on field level
- Ensure full audit trail – being able to document when and what has been reported – requires reconciliation on message level
- Separate report engine from daily transaction flow
- Share experience with your community

## Disclaimer

*The views and statements in this presentation is based upon our reflections and experiences working with clients within the area of Transaction T+1 reporting.*

*This presentation is not a interpretation of MiFID II*

*Our presentation is based upon current assessment of MiFID II...it will change as we come closer.*



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