



QUORSUS

Regulatory Reporting Newsletter



INTRODUCTION

Welcome to Quorsus' first Regulatory Newsletter, our new series aimed at **keeping you updated on the increasing number and complexity of changes to global regulatory reporting.**

The next two years will see a significant attempt to align reporting obligations across the G20 jurisdictions. Whilst regulators are aiming to improve transparency and harmonise the data firms are required to report, **there are multiple challenges for reporting stakeholders to navigate, including implementing new data standards, changes to eligibility, new control requirements, messaging standards and more.**

This first newsletter presents an **overview of the forthcoming global changes and what you need to be thinking about.** We will produce regular updates, which will include a detailed focus on areas that we feel are the most pressing, in order to help you to anticipate the challenges and consider how you will be impacted

WHAT'S INSIDE THIS ISSUE:

A Global Overview | Drive towards standardisation, but implementation and consistency challenges arise - Page 2

North America Overview | Regional and Global Alignment, but challenges expected for technical specifications, collateral reporting and the move to UPI - Page 3

EMEA Overview | Broad Alignment, with mandatory use of ISO 20022 but substantial changes to existing regulatory requirements - Page 4

APAC Overview | Alignment with global standards on the horizon - Page 5

WHO WE ARE

Quorsus provides consultancy services to financial institutions facing a range of challenges and constraints across the post-trade landscape. We offer **unparalleled expertise in post-trade technologies, operations, regulatory solutions, and market infrastructure, helping our clients to achieve their goals through intelligent reengineering of platforms and process.** We pride ourselves on the strength and character of our consultants. This, combined with decades of industry expertise, ensures that our clients meet their objectives, however steep the challenge

A GLOBAL OVERVIEW

What's Happening?

Most jurisdictions have declared an intention to embrace many of CPMI-IOSCO's **Critical Data Elements (CDE)**, messaging via **ISO 20022**, **Unique Product Identifiers (UPI)** and a **standard taxonomy for lifecycle events**.

In North America and Europe, there is an **increased focus on the control framework required to ensure data quality**.

There will **likely be challenges** related to:

- The changes in how reporting is performed, from specific data elements to reporting timelines and tightened message choreography;
- Implementing new workflows and controls to validate data prior to report submission;
- Inconsistencies between how the same data attributes are implemented by different jurisdictions

Things to Consider

- **Divergent approaches to implementing CDE** and the resultant challenges
- A new approach to messaging – the **inability to include non-reportable fields** and its specific impact on delegated reporting
- **Timelines for ISO 20022** messaging - will there be sufficient time to test and implement?
- **Varied jurisdictional interim approaches to the pending UPI implementation** in late 2022
- **Incorporating UPI access and control** into your reporting process
- **New requirements to frequently validate trade accuracy and trade population at Trade Repositories**

2021

- APR Korea Phase 1
- OCT MAS Final Phase
- NOV SEC Go-Live

2022

- JAN Korea Phase 2
- MAY CFTC Re-Write
- JUL UPI
- AUG Canada Re-Write

- NOV ISO 20022 Switch
- NOV UPI Switch

2023

- TBC ASIC Re-write
- TBC JFSA Re-Write
- Q2 MAS Re-Write
- TBC HKMA Re-Write
- TBC EMIR Refit
- TBC UK FCA Refit

Global Regulatory Roadmap

- Global ● APAC ●
- NA ● EMEA ●

REGULATORS ARE ALIGNING WITH GLOBAL STANDARDS BUT THERE ARE STILL SIGNIFICANT AREAS OF DIVERGENCE; UNCLEAR TIMELINES ALONG WITH THE MOVE TO ISO20022 WILL CAUSE CHALLENGES FOR MANY

NORTH AMERICA OVERVIEW

What's Happening?

On November 8, 2021, we will see the **go-live of Security-Based Swap Reporting to the SEC**, whose rules were published in December 2019. This applies to swaps based on a single loan or security, narrow based indices, and mixed swaps. The SEC have opted to make things relatively easy by initially allowing reporting firms to, for the most part, follow the CFTC reporting rules, rather than draft a new and distinct set of rules. Although very similar to CFTC, the **challenges will be in the differences** relating to PPD (Public Price Dissemination) timeframes, block sizes, and the ANE (Arranged, Negotiated, Executed) construct for unregistered foreign dealers. As with CFTC at present, collateral reporting is not required. Whilst November is the main go-live date, there are follow up challenges, such as completion of backloading and the commencement of PPD in 2022.

On May 25, 2022, the **CFTC's re-write goes into effect**. This is a significant upgrade to the rules originally developed in 2012, with a **more prescriptive approach to fields, values, and standards**. Notable changes include the adoption of many **CDE**, following Guidelines developed by CPMI-IOSCO, with 64 of the 128 new fields aligned to the CDE standards. The **deadlines for data reporting are changing: they will now be T+1 for most firms**, in line with most other G20 obligations. Similarly, the **CFTC will also adopt UTI. Collateral reporting will be required on a daily basis**, primarily using CDE. The definition of "block trade" has been amended with respect to cap sizes and thresholds. Other changes include a focus on Events & Actions and rules relating to the verification of data quality.

ISO 20022 will not be mandated from the start, although CFTC will prevent multiple messaging formats, translations or mappings being performed by Trade Repositories. Like SEC, **Canada is expected to closely follow CFTC rules**, however its re-write is not expected to take place until after UPI implementation, in July 2022.

Things to Consider

- **Collateral fields** and how they can be incorporated into your reporting process. Whilst collateral reporting will not be required for SEC in November it will be included from next year, aligning with CFTC re-write
- The **introduction of new data fields** to report – including Actions and Events: focus on sequencing and linkages
- The **impact to repositories**, specifically how they will no longer be able to perform even simple data translations or mapping
- **UTI generation and sharing rules** – especially across multiple jurisdictions
- CFTC is leaving the **requirements for product identifiers to each repository** – but at some point, these will be replaced by standard UPIs
- **Data quality verification and control requirements** as a result of the new rules
- **Backloading of existing positions** - how and when you will perform this to ensure alignment with new rules
- Consider the **nuances between SEC and CFTC rules** – how will you report mixed swaps?



**LONG-AWAITED
SEC/SBS
REPORTING GO-
LIVE SCHEDULED
FOR Q4;
ALIGNMENT WITH
GLOBAL
STANDARDS IN
CFTC SHOWS
PROMISE, BUT
DIFFERENCES
REMAIN**



EMEA OVERVIEW

What's Happening?

Europe is **awaiting European Commission endorsement of last December's EMIR REFIT Final Rules**. Given an expected implementation period of 18 months, our **likely go-live date is now Q2 '23**, with a further 6 months to refresh existing trade populations. The total **number of reportable fields will increase from 125 to 203** and EMIR will **broadly align itself with CDE**, whilst introducing more detailed actions & events (what happened and why), with increased linkages between trades, including a 'revive' action and introduction of Prior UTI and subsequent Position UTI. In EMIR's case, only 78 CDEs will be used, and the **challenge will be where the global guidelines are not followed**; CDEs were designed for OTC but EMIR still requires the reporting of ETDs.

Additional Collateral fields (both pre and post haircut) and daily update of Delta values will come into effect. Clarification of Mandatory Delegated Reporting rules following last year's REFIT changes are also included. **Firms will be given 6 months to update live trades that do not have a reportable lifecycle event in the intervening period to the new format.**

ESMA has **codified the existing reconciliation processes into clear rules**, including how fields should be reconciled and a timeline for when the reconciliations will take effect. **ISO 2022 is mandated for all messaging** (from both counterparty to TR and vice versa), and a standard set of error codes is to be used. Submitting one record for two separate reporting submitting entities will no longer be possible. ESMA have recently issued a Consultation Paper covering Guidelines for Reporting, with an expectation they will be in a position to publish the final report on these **Guidelines towards the end of 2021 or early 2022.**

In the UK, the **FCA is expected to launch a Consultation Paper** in the near future and we expect 'intelligent alignment' with ESMA. So, whilst it should not differ greatly to EMIR, there will be nuances in the UK's rules, which need considering. The new rules list a standard set of reports for the TRs to produce by 06:00 UTC the following day in ISO 2022 format.

Things to Consider

- Changing your messaging to **ISO 2022** - firms will no longer be able to submit one message in order to fulfil two parties' reporting obligations
- A significant increase in the number of data fields, including more granular Actions and Events, requires you to consider **sequencing and linkages**. How will you link trades relating to allocations, PTRR exercises, packages, etc? Particularly challenging for ETD
- **Nuances between ESMA and CFTC**, including CDE approaches
- **Impacts to delegated reporting**, including the removal of key permissioning/ visibility attributes
- **Changes to industry standard reporting for certain products** i.e. FX swaps & CFDs
- **Plan for backloading and consider the impact** on reconciliations and ongoing lifecycle event reporting. Reconciliation rules are documented - with tolerances and rules for valuations
- Consider the impact of an **eventual refresh when UPI is implemented** after July '22
- **Tighter controls required relating to data quality verification**, including time limits to correct errors and clear requirement to correct each inaccurate submission
- Consider the impact of the changes to **Collateral reporting** in providing pre and post-haircut values

BROAD ALIGNMENT WITH GLOBAL STANDARDS AND MANDATORY USE OF ISO 2022, ALONGSIDE AN INCREASE IN THE NUMBER OF FIELDS AND CLEAR RULES RELATING TO DATA QUALITY AND VALIDATIONS

APAC OVERVIEW

What's Happening?

MAS (Singapore) still has a **final phase of its original reporting to deliver in Q4 '21**, following delays due to COVID. This will bring into scope FX, commodity and equity OTC derivatives for all firms – not just banks.

APAC jurisdictions are now moving towards **CDE alignment and use of ISO 20022**.

Both MAS and ASIC (Australia) have published consultation papers relating to re-writes – with **ASIC proposing at least 82 fields to aligned to CDE**.

FSC (Korea) **went live in April this year for IR and FX** – with remaining products due to go live in January 2022. FSC is already broadly aligning itself to global standards, albeit with some **local variations**.

The expectation is that **most regimes will implement their re-writes by Q2 '23**.

Things to Consider

- Consider the **impact of migrating to ISO 20022** messaging
- The use of CDE will, on the one hand, standardise reporting, but **look out for regional variances and a possible increase in the number of data fields** being reported
- MAS proposes fields like an **'interim UTI'** - recognising the challenge of UTI generations and sharing across multiple jurisdictions with different deadlines
- A subsequent switch to **UPI** by most regimes, could lead to challenges around UPI sourcing and controls
- Consider the **impact of global take up of UTI and rules for generating** – especially where trades are cross-jurisdictional



**MOST
JURISDICTIONS
EXPECTED TO
UPDATE RULES IN
Q2 2023, WITH
BROAD
ALIGNMENT WITH
GLOBAL
STANDARDS AND
EMBRACING USE
OF ISO 20022**

If you would like to discuss more please reach out to our regulatory reporting leads:



Carolyn Van den Daelen
Managing Partner & Chief
of Staff



Andrew Pinnington
Head of Regulatory
Reporting Practice



WHO WE ARE

Quorsus provides consultancy services to financial institutions facing a range of challenges and constraints across the post-trade landscape. We offer **unparalleled expertise in post-trade technologies, operations, regulatory solutions, and market infrastructure, helping our clients to achieve their goals through intelligent reengineering of platforms and process**. We pride ourselves on the strength and character of our consultants. This, combined with decades of industry expertise, ensures that our clients meet their objectives, however steep the challenge



**Listen To Our
Latest Podcast**



**Go To Our
Website**



**Follow Us On
LinkedIn**