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QUORSUS
Part of Capgemini

Regulatory Reporting Newsletter

INTRODUCTION

In this edition of our regulatory newsletter our experts discuss a year of significant change for both Quorsus and the industry as a whole.

Starting with our integration with Capgemini and the synergies thereof, we then review key themes from 2023 and how the industry has fared, and look to give the reader a broad synopsis of the year past and a heads up of what 2024 may hold. Topics to be aware of include UPI implementation, ISO 20022 as well as supervisory activity across APAC, EMEA and North America.

Newsletter Terminology

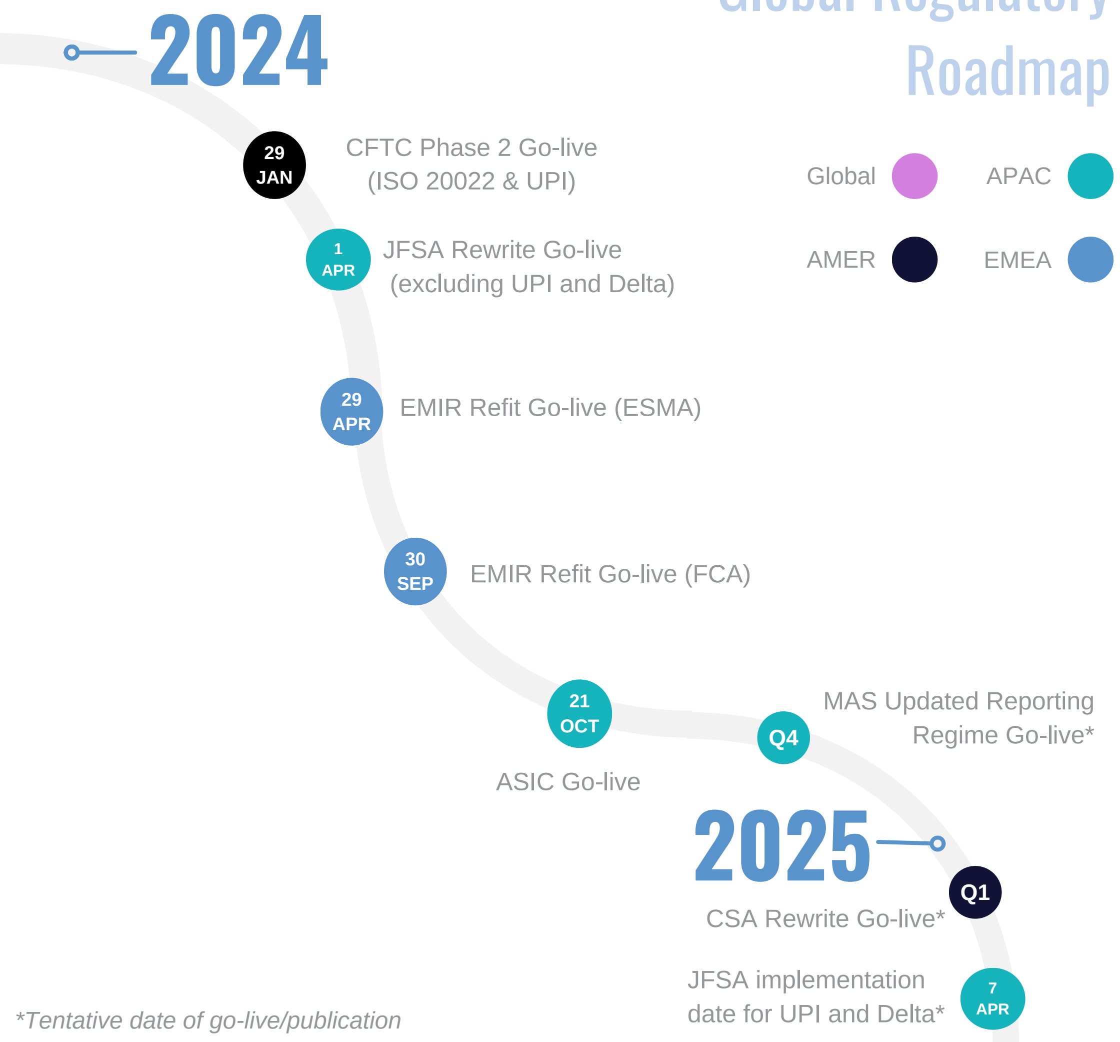
- **APAC** Asia-Pacific
- **ASIC** Australian Securities and Investments Commission
- **CDE** Critical Data Elements
- **CFTC** Commodity Futures Trading Commission
- **CORRA** Canadian Overnight Repo Rate Average
- **CSA** Canadian Securities Administrators
- **DRR** Digital Regulatory Reporting
- **DSB** Derivative Services Bureau
- **ECB** European Central Bank
- **EMIR** European Market Infrastructure Regulation
- **EONIA** Euro Overnight Index Average
- **ESMA** European Securities & Markets Authority
- **EU** European Union
- **FCA** Financial Conduct Authority
- **FinFRAG** Financial Markets Infrastructure Act
- **HKMA** Hong Kong Monetary Authority
- **JFSA** Japan Financial Services Agency
- **KPI** Key Performance Indicator
- **ISDA** International Swaps and Derivatives Association
- **ISIN** International Securities Identification Number
- **ISO** International Organisation of Standardisation
- **LIBOR** London Inter-bank offered rate
- **MAS** Monetary Authority of Singapore
- **MMSR** Money-Market Statistical Reporting
- **MSP** Managed Service Provider
- **QA** Quality Assurance
- **SMMD** Sterling Money Market Daily Reporting
- **SLA** Service Level Agreement
- **SONIA** Sterling Overnight Index Average
- **TR** Trade Repository
- **UAT** User Acceptance Testing
- **UPI** Unique Product Identifier
- **UTI** Unique Transaction Identifier
- **XML** eXtensible Markup Language

WHAT'S INSIDE THIS ISSUE:

WHO WE ARE

Part of Capgemini's Financial Services Strategic Business Unit since October 2022, 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.

Global Regulatory Roadmap



**Tentative date of go-live/publication*

QUORSUS WERE WELCOMED BY THE CAPGEMINI FAMILY INTO THEIR FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

QUORSUS PART OF CAPGEMINI OUTLOOK FOR 2023/24

2023 was a year of change for Quorsus as we were welcomed by the Capgemini family into their Financial Services Strategic Business Unit towards the end of 2022, and what a journey it's been so far. Capgemini are a global leader across strategy and transformation, applications and technology, engineering, and operations, and the team have been working hard to develop and demonstrate the value of our unified proposition to our clients. To help walk us through Quorsus' exciting new capabilities, we held a quickfire Q+A with our Head of Derivatives and Reporting, Andrew Pinnington-Mannan, and three of our Derivatives and Regulatory Reporting SMEs: Adam Hayward, Rory Lane, and Ivana Ignjatovic.

What have been the key challenges you've witnessed firms in the industry face over the past year?

APM: Firms are having to balance the need to implement regulatory change requirements, especially with EMIR Refit coming up in 2024, versus clearing out remediation items and improving their existing reporting. It's very difficult to get that balance right, but firms have had an imperative to fix outstanding issues before even more stringent requirements come in. A lot of firms have struggled with this: they have either done quite well on their regulatory change and new requirements side but not as well on the remediation side, or vice versa. It's been very difficult for firms to strike an adequate balance between the two.

QUORSUS PART OF CAPGEMINI OUTLOOK FOR 2023/24 (CONT.)

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Firms are also contending with the challenge of attracting and retaining expertise, especially amidst the challenging macro-economic climate. Regulatory experts are either leaving the industry entirely—a phenomenon witnessed across various sectors since the pandemic—or transitioning to different firms. This talent exodus results in a substantial loss of vital regulatory knowledge and experience. The impact is particularly pronounced for firms lacking good documentation around their data and processes.

The third one that's always a challenge is data quality. There is an ever-increasing amount of data to find for these new regulatory requirements. Making sure from a reg perspective that the people passing you those bits of data are checking it is accurate and that you fully understand how they are being sourced and transformed: it's a constant challenge and one that's being further exacerbated by the evolving landscape of new regulatory requirements.

Going forward into 2024 are there any other challenges or opportunities firms could face given the tight regulatory calendar/schedule?

APM: The looming challenge for firms in 2024 revolves around dealing with multiple go-lives within a compressed schedule. Often, firms proceed to the next go-live without fully resolving issues stemming from the previous implementation. For instance, after the EMIR Refit go-live, firms might encounter issues but may not spend 6 months addressing them, instead moving on to subsequent implementations like ASIC, MAS, or the UK go-live.

To navigate this challenge, firms must prioritize thorough testing well in advance of go-lives—ideally, a minimum of three months. Moreover, if go-live issues arise, adequate time and resources should be allocated to resolve them rather than allowing them to persist due to the necessity of moving on to another go-live.

A broader opportunity arises for firms post-2024 rewrites: the prospect of considering a replatforming strategy. As regulatory requirements become increasingly globally harmonized after the 2024 rewrites, firms should contemplate a move to a new platform after they have implemented all these changes rather than during them. With the change cycle concluding and requirements becoming more standardized by the end of next year, this marks a strategic opportunity for firms to reevaluate their architecture, explore avenues for automation, and enhance overall efficiency.

What should be the key focus for firms as they prepare for the 2024 rewrites with the time they have left?

APM: Testing and resourcing are key as I mentioned. But also, metrics: understanding what is happening on an event-by-event basis within your organization. What's been deemed eligible, what's been reported, what's failing validation checks internally etc. This is even more important given stringent new notification requirements to both regulators and clients of delegated reporting.

TALENT EXODUS RESULTS IN A SUBSTANTIAL LOSS OF VITAL REGULATORY KNOWLEDGE AND EXPERIENCE

THE IMPACT IS PARTICULARLY PRONOUNCED FOR FIRMS LACKING GOOD DOCUMENTATION AROUND THEIR DATA AND PROCESSES

QUORSUS PART OF CAPGEMINI OUTLOOK FOR 2023/24 (CONT.)

A year on from the acquisition, how are we in the Capital Markets practice leveraging Capgemini's wider capabilities, from industry leading technology to their global footprint, to help clients face current and upcoming challenges?

RL: Quorsus, underpinned by Capgemini's capabilities, is poised to expand its regulatory practice by introducing Managed Services, where we can offer clients assistance with any or all their processes relating to regulatory reporting. This offering extends support across various regulatory reporting processes, including exception management, reconciliations, and building out comprehensive controls internally. By leveraging Capgemini's global footprint, we are building out centers of excellence across multiple locations around the world so we can provide clients with targeted support wherever needed. In terms of how this can support clients with current challenges there are multiple benefits.

AH: In the face of common resource retention challenges, firms often grapple with the risk of losing key employees and the complexities of onboarding replacements swiftly during periods of regulatory change. Quorsus offers a practical solution to these challenges. Our ready-made team of industry experts, equipped with constant training and decades of experience, provides a shield against the risks associated with talent attrition. Our consultants, receiving uniform training, ensure a smooth transition by maintaining the same level of expertise, even if a resource needs to be reallocated. With Quorsus, firms not only gain access to seasoned professionals but also a reliable partner capable of offering expertise precisely when needed. It's a pragmatic approach to elevate operations, mitigate talent risks, and ensure a continuous flow of knowledge.

RL: Regulatory reporting is undoubtedly a technological issue, which requires technology solutions. Quorsus recognizes the struggle firms face in enabling their technology resources with the required knowledge on regulatory requirements, especially in the face of tight schedules for multiple rewrites. Our Managed Services can leverage Capgemini's thousands of developers across the globe if firms need support in their development teams, either to be used as burst capacity or even taking on a chunk of their own primary book of work. Coupled with our project management and industry expertise, we can support firms balance the need to implement change regulatory requirements with clearing out remediation items and improving their existing reporting. Our managed services offering allows firms to focus on their whole regulatory change agenda by allowing them to hand off their processes for one rewrite to our operational teams for continued analysis and issue resolution, whilst they move onto the next.

AH: It's worth adding that when firms join our managed services, they are no longer a standalone firm anymore, they've got access to a wide network of industry experts, leveraging collective knowledge to address specific reporting challenges and align with industry best practices.

II: Quorsus also plans to expand its Regulatory Reporting Practice to include Derivatives Advisory and Market Strategy services. Derivatives Advisory aims to enhance efficiency in front-to-back processing of derivatives for buy-side and sell-side firms. Simultaneously, our Market Strategy services can provide strategic support to vendors, service providers, and derivative FMIs by leveraging our decades of combined experience in the industry, our knowledge of best practices, and our experience in helping clients gain clarity on where they want to go and why.

IN THE FACE OF COMMON RESOURCE RETENTION CHALLENGES, FIRMS OFTEN GRAPPLE WITH THE RISK OF LOSING KEY EMPLOYEES AND THE COMPLEXITIES OF ONBOARDING REPLACEMENTS SWIFTLY DURING PERIODS OF REGULATORY CHANGE

QUORSUS PART OF CAPGEMINI OUTLOOK FOR 2023/24 (CONT.)

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Capgemini's expertise and knowledge of different technologies and architectures, including areas like machine learning and AI, will create synergies by helping Quorsus deliver strategic and advisory engagements for clients: to streamline processes, create efficiencies, and reduce risk across firms and FMIs. This approach combines practical knowledge with theoretical expertise, offering a unique proposition in addressing upcoming challenges.

As the industry braces for regulatory challenges in the coming year, Quorsus can not only support clients in their day-to-day BAU operations through the managed services offering, but can help clients capitalize on the synergies that the rewrites are bringing, and the opportunity to simplify core derivatives processes within firms post-2024. From a technology, architecture and data perspective, 2025 budgets should be focusing on streamlining, automating, and enhancing efficiency.

The prospect of replatforming, in alignment with global regulatory harmonization, emerges as a strategic move. Quorsus, leveraging our experience in vendor assessments, program management and Capgemini's technology expertise, stands ready to assist firms in plotting strategies and implementing robust changes in this dynamic regulatory landscape.

As well as designing and developing our new capabilities and offering at Quorsus Part of Capgemini, we continued to attend important events in the regulatory reporting calendar across global jurisdictions.

LOOK BACK – 2023 IN REVIEW

Challenges for the Industry on CFTC for Error and Omission

As part of the CFTC rewrite, new error, omission, verification, correction and notification requirements were introduced this year. These apply to Swap Dealers, Major Swap Participants and Non-Major Swap Participants and derivatives clearing organisations, both for reporting counterparties and non-reporting counterparties, albeit with differences. Reporting counterparties are required to correct errors "as soon as technologically practicable" after discovery, and if the correction cannot take place within 7 days of detection, they must submit written notification of the error to the CFTC Division of Market Oversight (DMO) on a standardised form. Non-reporting counterparties are required to "promptly" advise the reporting counterparty of any errors.

In addition to this, firms are required to carry out regular verification of the data which has already been reported to SDRs. For Swap Dealers, Major Swap Participants and derivatives clearing organisations, this entails comparing that which was submitted to SDR against their internal books and records every 30 days. Other market participants must carry out this exercise once a quarter.

The new requirements have had a significant impact on how data is managed, handled and stored at all firms. Previously manual processes with light governance have needed to be revised to ensure adequate error detection and also sufficient levels of data integrity in back-end systems. In addition to this, upon analysis of their existing datasets and submissions, many firms have had to retrospectively correct errors and submit corresponding notifications to the CFTC DMO. This challenge is expected to continue into 2024.

PREVIOUSLY MANUAL PROCESSES WITH LIGHT GOVERNANCE HAVE NEEDED TO BE REVISED TO ENSURE ADEQUATE ERROR DETECTION AND ALSO SUFFICIENT LEVELS OF DATA INTEGRITY IN BACK-END SYSTEMS

LOOK BACK – 2023 IN REVIEW (CONT.)

2023 CFTC Reporting and Recordkeeping Fines

A year on since the CFTC rewrite went live, and it seems that the U.S. regulator is not completely satisfied with the results. In the time that has elapsed since the go-live, firms have had a new reconciliation process and monthly verification process to aid them in notifying the CFTC should any issues occur. But looking at the range of fines that were dealt out over the course of 2023, the reasons for the punishments, and their severity, it seems it's still not enough to deter firms from making entirely preventable errors.

Of all the fines imposed this year, the spotlight fell on Goldman Sachs, J.P. Morgan, and Bank of America in late September. The penalties were levied for a range of swap dealer activities, encompassing lapses in swap data reporting and, in one instance, deficiencies in disclosing Pre-Trade Mid-Market Marks (PTMMMs).

One of the organisations were even ordered to provide a written remediation plan and engage a consultant to oversee and evaluate said plan. Inaccurate and incomplete reports are symptomatic of a broader issue. With firms facing intensifying regulatory action, focus must be on acquiring and retaining the right expertise, investing in robust tools for assessing the quality of reporting, and fortifying operational and technological resources to navigate the upcoming tight regulatory schedule in 2024.

2022 to 2023 saw the CFTC noticeably increase its enforcement of regulations, scrutiny of firms' practices, and intensify the severity of its fines. This trend seems likely to continue into 2024: on October 17, 2023, the Commodity Futures Trading Commission (CFTC) introduced updates to its Division of Enforcement's guidance on enforcement resolution recommendations, outlining a more assertive approach going forward, and expressed frustration with the industry's not so great ability to play by the rules.

To ensure they effectively deter violations, higher civil monetary penalties (CMPs) may be recommended for repeated violations, encouragement for self-reporting was emphasized, and the regulator shifted away from defaulting to no-admit, no-deny resolutions; instead, admissions will be considered on a case-by-case basis.

In no-admit, no-deny resolutions, respondents neither admit nor deny the allegations, and the resolution is based on a mutual agreement without a formal admission of guilt. The CFTC's move toward considering admissions in enforcement actions suggests a stricter stance and a desire for greater accountability in resolving regulatory matters, allowing the regulator to obtain explicit acknowledgment of misconduct, potentially impacting the severity of penalties, and influencing public perception.

For industry participants, especially the larger firms the likes of which we saw fined this year, the fines the CFTC are enforcing are of course unwanted, but it is unlikely they will be losing much sleep. For them, the real punishment that can occur is the reputational damage that comes with being dealt the fines. But with both monetary and reputational damage so far not having the impact they would like, the CFTC will have to eventually ask the question 'at what point is monetary fines not enough?'. Should issues persist, the industry should keep an open mind when it comes to the CFTC exploring new and more punishing deterrents in the years to come.

LOOKING AT THE RANGE OF FINES THAT WERE DEALT OUT OVER THE COURSE OF 2023, THE REASONS FOR THE PUNISHMENTS, AND THEIR SEVERITY, IT SEEMS IT'S STILL NOT ENOUGH TO DETER FIRMS FROM MAKING ENTIRELY PREVENTABLE ERRORS

LOOK BACK – 2023 IN REVIEW (CONT.)

Challenges with EMIR refit and industry consensus

In less than 4 months, new derivatives trade reporting obligations will take effect in Europe under EMIR Refit. The EU's European Securities and Markets Authority (ESMA) will go live on April 29, 2024, with the UK's Financial Conduct Authority (FCA) to follow on September 30, 2024. There are multiple challenges around the rewrites being felt across the industry, from specific worries around UTI generation, to larger concerns around regulators continuing to diverge on certain topics despite global harmonization efforts. Below we have broken down the overall industry consensus around the key challenges still being tackled with only 4 months to go:

Rewrite Challenges and Considerations

One of the primary concerns for many firms revolves around the technical intricacies of reporting processes. The formidable challenges in testing and the complexity of regulatory updates pose significant hurdles. While there are suggestions to treat the rewrites as a global program, this approach oversimplifies the reality on the ground.

This solution fails to account for challenges in understanding and implementing specific data fields like UPI and RTN; for it to work, firms need industry-wide clarity on these fields. Moreover, the divergence between regulators on post-submission processes requirements, such as Error and Omission handling, adds complexity. Collaborative efforts within the industry are crucial to providing a consolidated view on issues like UTI timing requirements across different jurisdictions. Complicating matters further, some firms have obligations under both ESMA and FCA, necessitating the maintenance of two distinct data standards for four months.

UTI

Another industry concern is the issues that arise when UTI is not provided on T+1 at 10 am causing technical delays, and problems around UTI generation, especially for cross-jurisdictional trades and the timeliness of exchanging UTIs – for example, some jurisdictions are T+2.

Failure to align UTI reporting procedures across firms may result in inconsistencies and varying solutions, exacerbating the situation. The potential for pairing chaos looms large, emphasizing the need for consistent adherence to ESMA's UTI Generation Flowchart. Failure to do so may lead to misaligned UTIs and a breakdown in trade pairing.

Error and Omission

Misalignment between jurisdictions is also impacting Error and Omission processes, with firms having to juggle different regulators' expectations and thresholds. As well as divergence on the topic by regulators, there is also additional complexities and confusion around certain aspects of the ESMA guidelines.

For example, one grey area for firms providing delegated reporting for their clients is centered around the requirement to notify NCAs in the event of reporting inaccuracies. Whilst this is similar to the new CFTC notification requirement, it is expected to be less granular and focus on "significant issues" only.

WHILE THERE ARE SUGGESTIONS TO TREAT THE REWRITES AS A GLOBAL PROGRAM, THIS APPROACH OVERSIMPLIFIES THE REALITY ON THE GROUND

FOR NEW TRADES, THE ENHANCED CONSISTENCY INTRODUCED BY REFIT OFFERS A SILVER LINING, POTENTIALLY REDUCING THE PAIN ASSOCIATED WITH MATCHING

LOOK BACK – 2023 IN REVIEW (CONT.)

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The question many firms are still asking themselves is how do we determine what is a “significant issue” for their clients in terms of error thresholds when providing voluntary delegated reporting?

This classification was not accompanied by a clear definition and if firms are then left to define it on their own divergence is sure to follow. It’s almost impossible for the firm providing voluntary delegated reporting to evaluate errors for their clients - only the client can provide fully accurate reports of all their live trades. This is why it’s critical that the “Entity Responsible for Reporting” has robust reconciliations and controls in place and why the reporting submitting entity can’t be held to account.

Explicit Permissioning
Firms receiving delegation will now have to handle explicit permissioning tasks independently and can no longer rely on their reporting party to do permissioning on their behalf. If there are any firms unaware about this change, those providing delegated reporting may have to reach out to their clients to inform them, and vice versa, creating extra work during an already packed schedule.

Reporting of outstanding positions
It is critical in the run up to the compliance date that trade repositories provide stable testing environments. Furthermore, some firms plan to upgrade positions during the 6-month transition period provided by regulators, whilst others plan to perform the upgrade during the go-live weekend.

Depending on how much firms differentiate on this, it is likely this will increase pairing and matching breaks for outstanding positions over the transition period. However, for new trades, the enhanced consistency introduced by Refit offers a silver lining, potentially reducing the pain associated with matching.

While the UTI issue remains intertwined with pairing, matching primarily hinges on ensuring data quality in your reporting.

COMPANY UPDATES AND EVENTS:

Earlier this year Quorsus attended the ISDA AGM in Chicago. Our experts met with clients at our booth, discussing the key challenges within the derivatives market and regulatory landscape. It was great to see Paul Grainger represent us at the panel discussion on Digital Regulatory Reporting. The session was well received and set the scene for the Common Domain Model (CDM) Expo, which was one of the main themes of the conference this year.

In September, Andrew Pinnington-Mannan, our Head of Derivatives & Regulatory Consulting and Max Makhoul, one of our Derivatives and Reg Reporting SMEs attended the Informa EMIR Refit Forum, where Andrew chaired a panel focusing on governance and senior engagement in trade and transaction reporting.

It was a great chance to hear how everyone was preparing for the upcoming EMIR Refit go-live in April 2024. Andrew also attended the REGIS-TR Client Event in October and participated in a panel discussing the Regulatory outlook for the coming years.

Great Place to Work®

To top off a fantastic year, we were delighted to announce that Quorsus, Part of Capgemini, had been recognized as one of the UK's Best Places to work! Out of the hundreds of Businesses that were certified, we were ranked 25th out of the 100 finalists.

Great Place to Work® determined Quorsus' placement on the list by reviewing confidential feedback from 60+ survey questions, where employees were asked to describe the extent to which their organization creates a 'great place to work' for all.

To be considered for Best Workplace™ recognition, Quorsus also earned the Great Place to Work-Certified™ standard of accreditation. This was an amazing recognition of our continuous commitment to our People and Values.

QUORSUS ALSO EARNED THE GREAT PLACE TO WORK-CERTIFIED™ STANDARD OF ACCREDITATION

THIS WAS AN AMAZING RECOGNITION OF OUR CONTINUOUS COMMITMENT TO OUR PEOPLE AND VALUES

LOOKING FORWARD TO 2024

As we head into 2024, we are anticipating an extremely busy year for our regulatory reporting clients. In the world of derivatives regulatory reporting, six regulatory regimes will go live with their regulatory rewrites. Whilst in 2023 the primary focus has been on planning front to back regulatory implementations, 2024 will test the efficacy of firms' change management processes and technological infrastructure.

Global Changes

Global harmonisation and data quality are consistent themes which underpin the regulatory rewrites. The CPMI IOSCO CDE Guidance specifies the critical reportable data elements required to provide regulators with a comprehensive overview of the derivatives markets and enhances data quality, allowing regulators to effectively monitor systemic risks and improve transparency. The global commitment to standardise regulatory reporting data outputs between jurisdictions has spearheaded the introduction of global level changes such as Global UTI, the UPI and the adoption of the ISO 20022 XML reporting model.

Even though firms face the challenge of implementing changes for multiple regulatory reporting regimes, the efforts for global harmonisation present firms with an opportunity streamline their regulatory reporting architecture, data flows and operational processes. The standardised set of definitions and reporting requirements enables efficient implementation as there is more uniformity in the upstream data being consumed for the reporting of critical data elements which can be mapped across multiple jurisdictions. Similarly, firms can leverage the design and build from previous go-lives to implement the Global UTI, the UPI and ISO 20022 XML reporting.

ISO 20022 XML

2024 will be the year of the global adoption of the ISO 20022 XML reporting. First introduced with SFTR in 2020, ISO 20022 xml is a key component of the global regulatory reporting framework. ISO 20022 xml reporting is anticipated to improve the quality of regulatory reporting data, provide global consistency of messages and enable efficient data sharing for regulators on a global level due to the ease in global aggregation of data.

Although the transition to ISO xml reporting is beneficial to regulators, the changes come at a cost to firms. Firms have a 6-month window to upgrade their reporting and the changes involve a complete overhaul of technological infrastructure and operational processes. Firms will need to ensure they have the right budget, SME knowledge, and test environment in place to facilitate the migration. As a high level of data manipulation is required to transform data, comprehensive front to back testing will be essential to complete a smooth transition.

Some of the other challenges with the migration to ISO 20022 XML reporting is this will limit the use of manual reporting, firms will no longer able to back report using CSV files. XML outputs and response files from the Trade Repository are more complex than CSV files, so operations teams will have to familiarise themselves with the new reporting responses.

Based on recent feedback from ESMA in the SFTR Data Quality report, XML reporting has brought important benefits to the regulator in the areas of data quality and accessibility of the data, we are interested in seeing if these benefits will be observed in the other global rewrites.

FIRMS WILL NEED TO ENSURE THEY HAVE THE RIGHT BUDGET, SME KNOWLEDGE, AND TEST ENVIRONMENT IN PLACE TO FACILITATE THE MIGRATION

LOOKING FORWARD TO 2024 (CONT.)

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UPI

The UPI will make its first regulatory appearance with CFTC Rewrite Phase 2 on the 29th of January 2024. The UPI is a globally reportable ISO 4914 12-character alphanumeric code unique code which identifies the contract type and underlying product involved in an OTC derivative transaction reported to a Trade Repository.

With the implementation of the UPI, global regulators will expect to have a common understanding of systemic OTC derivative risks through improved reference data quality and an effective framework for aggregating OTC derivatives transaction reports.

In order to ensure a successful implementation, firms will need appropriate access and connectivity to ANNA DSB ahead of go-live to source the UPI details and map products traded to a UPI. An additional level of validation is required from legal and compliance to verify the correct UPI is reported and is consistent with the field level data reported for that product taxonomy.

Due to the requirement to use the UPI on existing transactions and all new transactions within a T+1 transaction reporting timeline, firms should give themselves ample time to test thoroughly so they are prepared for go-live and consider introducing controls which manage accuracy and timeliness of UPI reporting.

Dual side reporting obligations such as EMIR have a matching obligation where firms are expected to report with the same UPI. In this scenario, firms will need to establish a process for clients to confirm their UPI before submitting the reports.

APAC

2024 will be a very demanding period for the APAC regulatory reporting regimes, with multiple rewrites going live during this year including the JFSA Rewrite, ASIC Rewrite, and MAS Rewrite. Firms will also need to plan and prepare for the HKMA Rewrite which is expect to go-live at the end of 2024.

The first regulation to go-live is JFSA on the 1st of April 2024. The JFSA Rewrite is aligned to the global harmonised standards and introduces reporting the UTI, UPI and CDE fields using the ISO 20022 XML format.

Firms will have to pair and share UTIs and use the global UTI waterfall methodology to determine who the UTI generator is. JFSA permits firms to execute bilateral agreements so one counterparty can be assigned as the default generator.

There will be 139 reportable fields including the new lifecycle reporting field Event Type and Delta field which are reportable to the trade repository DTCC Data Repository Japan (DDRJ) or any other trade repository that becomes approved by the JFSA. Firms will need to report valuation and collateral to their TR.

IN ORDER TO ENSURE A SUCCESSFUL IMPLEMENTATION, FIRMS WILL NEED APPROPRIATE ACCESS AND CONNECTIVITY TO ANNA DSB AHEAD OF GO-LIVE TO SOURCE THE UPI DETAILS AND MAP PRODUCTS TRADED TO A UPI

LOOKING FORWARD TO 2024 (CONT.)

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Next on the implementation timeline is the ASIC rewrite which comes into effect in 21st October 2024. The ASIC rewrite will be introduced to align the Australian reporting regime to other international regulations. The changes introduced with the ASIC Rewrite are consistent with other regulation such as JFSA and include the adoption of the ISO 20022 XML reporting, position reporting, CDE fields and Global UTI and UPI reporting.

The MAS Rewrite will also go-live in Oct 2024. The MAS Rewrite introduces 134 reportable data fields and is aligned with JFSA and ASIC on the global level changes the adoption of the ISO 20022 XML reporting, lifecycle reporting, CDE fields and Global UTI and UPI reporting. One of the changes unique to MAS is that firms are required to report FX Swaps as two separate contracts which are linked through the 'FX Swap Link ID'.

HKMA is also expected to be implemented in 2024. We are awaiting the final publication, but we expect the key changes to be fully aligned with the other APAC Rewrites.

EMEA

The significant changes observed in the ESMA EMIR Refit and FCA EMIR Refit both go-live on 29th April and 30th September 2024 respectively. Detailed commentary on these changes is provided in the Lookback section above.

North America

After years of planning and preparation, the implementation of the CFTC Rewrite Phase 2 on the 29th of January 2024 for ISO 20022 XML reporting and UPI reporting. This go-live will be an important gauge of the functionality of firm's regulatory reporting architecture and control framework.

The transition to BAU will be a challenging time as many firms will still be ironing out their post go-live issues. But it's not all bad news, firms can use this time as an opportunity to automate and enhance existing controls.

Only time will tell if the if the global level changes such as the adoption of the ISO 20022 XML reporting and UPI reporting will give the regulators the right level of global harmonisation and enhanced data quality to improve market transparency and mitigate systemic risks.

THE TRANSITION TO BAU WILL BE A CHALLENGING TIME AS MANY FIRMS WILL STILL BE IRONING OUT THEIR POST GO-LIVE ISSUES

FIRMS CAN USE THIS TIME AS AN OPPORTUNITY TO AUTOMATE AND ENHANCE EXISTING CONTROLS

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

Paul Grainger
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Andrew Pinnington-Mannan
Head of Regulatory Reporting Practice

WHO WE ARE

Part of Capgemini's Financial Services Strategic Business Unit since October 2022, 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.

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