Appendix 1

Update to Issues and Challenges for EMIR Reporting

1. Underliers:

   Further to the challenge described in the Original Letter, the industry continues best efforts to facilitate compliance with this requirement but has identified a number of specific issues across the asset classes. We indicate below by asset class the expected position as at the Reporting Start Date and the specific remaining challenges:

   Credit – We anticipate that approximately 90% of single name credit derivative transactions will include a Reference Obligation that provides an underlying ISIN. Industry has worked to facilitate inclusion of this ISIN as the underlying for EMIR reporting purposes. For the remainder of the single name population there is unlikely to be a suitable value from those listed in the Technical Standards and therefore the submission on the RSD will likely be blank. Index credit derivative transactions shall be reported with the value "I" as required by the Technical Standards.

   Rates – Many interest rate derivatives operate by reference to a floating rate index, therefore firms anticipate populating these trades with the value "I" as there are no other meaningful values available in the Technical Standards.

   Equity – While many equities have an ISIN, this value is not typically used in existing market infrastructures. The value itself can be mapped from other proprietary codes but this may take time. Industry participants will make best efforts to provide an ISIN for equity underlyers but we anticipate there will be a significant volume of blanks as of the RSD

   Commodities – There are currently no suitable values to describe the underlying for a commodities trade that is not an Index or Basket. Industry anticipates that underlying values for this asset class will be blank on the RSD

   FX - There are currently no suitable values to describe the underlying for a Foreign Exchange trade that is not an Index or Basket. Industry anticipates that underlying values for this asset class will be blank on the RSD

   Next Steps:
   There will be a number of instances where the Underlying value will be blank on the RSD. Industry would like to work with authorities to identify an appropriate value where one does not exist and in all cases to develop a roadmap to deliver 100% compliance on an appropriate timeline. We note in this regard that ISDA submitted a proposal to ESMA on Taxonomy/UPI which the ESMA Data Working Group is reviewing. UPI is one of the six values allowed by the Technical Standards for describing the underlyer and upon approval will help towards achieving 100% compliance.

2. Product Identification:

   Industry recognises that a UPI will not be endorsed in time for the RSD. ISDA continues to liaise with ESMA with the aim of endorsement of the ISDA Taxonomy for this purpose while firms are now making best efforts to use the interim taxonomy as set out in the Technical Standards for product identification as of the RSD. We expect that a UPI will be endorsed at a future time and anticipate that such UPI would be used on a going forward basis. However, we would note that there is currently no provision for migration from existing interim taxonomy to such new UPI and a suitable transition period will be necessary for firms and market infrastructure providers to implement the necessary changes. We would like to understand from authorities what the expectation is in this regard.

3. UTI Exchange:

   Further to conversations since submitting the Original Letter, industry understands the requirement to agree and exchange a UTI by T+1 in order to include it in a firms report. ISDA's whitepaper on UTI Generation, Communication and Matching (the "UTI Whitepaper") attempts to set out a mechanism to facilitate this exchange in an efficient and timely manner. This approach is predicated on a clear understanding of which party should generate the UTI. However, absent the endorsement of the UTI Whitepaper the mechanism remains a best practice and industry participants may choose to follow alternative approaches. While many of ISDAs members are planning to follow the best practice in the UTI Whitepaper we are aware that other industry participants are considering alternative approaches. The confusion of multiple approaches creates a challenge to timely exchange of UTIs and therefore we anticipate there will still be many cases where a UTI has not been agreed between parties by the time of submitting the report on T+1. Industry will continue to operate with best efforts to provide the necessary information and to this end have indicated in the UTI Whitepaper best practice that firms should look to utilise early information sharing mechanisms such as intra and end of day trade recaps to support the UTI exchange process. As mentioned in our previous letter we anticipate that the volume of trades impacted by this issue will reduce over time as electronic execution and confirmation platforms become ever more prevalent.

4. UTI for Cleared Trades:

   As noted in the Original Letter industry will support the Alpha/ Beta/ Gamma model and report trades accordingly as of the RSD. We note that this approach accurately reflects the legal status of the trades. Industry still awaits clarification from ESMA that this approach satisfies the reporting requirements for cleared trades.

5. Master Agreement:

   Industry continues to work with middleware providers to support population of the Master Agreement Type and Master Agreement Version (common data fields 24 and 25). Current expectations are that a full solution may not be available until the second quarter of 2014. Until such time it is anticipated that there will be reports that have a blank value in one or both of these fields.

6. Complex and Bespoke:

   As noted in the Original Letter we anticipate that many of the internal booking models used by firms to capture exotic trades and strategies could result in many to one bookings across the two parties to a transaction. It is anticipated that this mapping will similarly be reflected in the number of trades reported and the requirement for UTIs. Therefore there will be gaps and inconsistencies between firms' reports on the RSD. The industry remains committed to increase the level of standardisation, and therefore booking representation, of products within the OTC Derivatives Market and will work through ISDA to facilitate this. Indeed roadmaps for increased confirmation standardisation in some asset classes have already been shared with NCAs and work continues to extend these roadmaps to other asset classes. This increase of standardisation is expected to be a long term project and information obtained from inconsistencies observed at Trade Repositories will be used to inform the ongoing development of roadmaps. This will allow industry to focus on appropriate priorities which will be agreed with the global regulatory community.

7. Notional Amount:

   Industry submitted a Q&A to ESMA in December 2013 with the desire for clarification on the approach described in the Original Letter. We await a response to the Q&A absent which there is no further update.

8. Identification of Counterparties:

   Further to the proposal in our Original Letter, ISDA and its members continue to encourage market participants to obtain LEIs in advance of the RSD. However, we have been made aware that there are delays to issuance times from some of the pre-LOUs strengthening the view that there will be a considerable number of entities who do not have LEIs as of the RSD. We recognise that pre-LOUs continue to be endorsed and this may provide additional capacity but we would like to reconfirm that as of the RSD firms who are unable to report a LEI for a counterparty who has not yet been registered will use an interim internal identifier instead. It is understood that such report will need to be updated when the counterparty does obtain a LEI. We anticipate that firms will act similarly for non-EEA counterparties who do not currently have an obligation to obtain LEIs.

9. Non Electronically Confirmed/ Executed Trades - Common Data:

   There is no update on this challenge, as noted in the Original Letter there will be some data attributes where it is not possible to match the data for reporting although we anticipate that the volume of impacted trades will reduce over time as electronic infrastructure are developed and adopted.

10. Block Trades:

    Through feedback from some NCAs we understand that the expectation of some is for a Block Trade to always be reported by both parties to the trade regardless of whether the block is allocated by the time of the T+1 reporting deadline. We note that the legislation and guidance on this aspect is unclear currently and therefore not all market participants are ready to report in this way. Furthermore, we understand that many Buy Side firms do not recognise themselves as counterparty to the trade (and this is supported by various legal practitioners) and therefore do not have a reporting obligation. They can however, in many cases immediately provide the allocated positions into the Trade Repositories. Therefore, the expectation is that as of the RSD there may be instances whereby the Dealer has reported the block against the allocated trades causing a mismatch. This would be rectified by the dealer reporting the allocations once received and cancelling the block report, such blocks may never have a corresponding position in a Trade Repository.

11. Confirmation Status:

    Industry submitted a Q&A to ESMA in December 2013 with the desire for clarification on the approach described in the Original Letter. We await a response to the Q&A absent which there is no further update.