Reply form for the Consultation Paper on the Guidelines on reporting under EMIR
Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Section 9 in the Consultation Paper on the Guidelines on reporting under EMIR published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_QUESTION_REPO_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.
- if you wish to provide comments on the validation rules and/or reconciliation tolerances for the specific reporting fields, please use for that purpose the additional response form in excel format.

Responses are most helpful:

- if they respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

Naming protocol

In order to facilitate the handling of stakeholders’ responses please save your document using the following format:

ESMA_REPO_NAMEOFCOMPANY_NAMEOFDOCUMENT.

e.g. if the respondent were ESMA, the name of the reply form would be:

ESMA_REPO_ESMA_REPLYFORM or
ESMA_REPO Annunci

Deadline

Responses must reach us by 30 September 2021.
All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input - Consultations’.

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at www.esma.europa.eu under the headings ‘Legal notice’ and ‘Data protection’.
General information about respondent

<table>
<thead>
<tr>
<th>Name of the company / organisation</th>
<th>International Swaps and Derivatives Association (ISDA)</th>
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Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_REPO_1>

The International Swaps and Derivatives Association, Inc. (“ISDA” or “we”) appreciates the opportunity to provide comments to the European Securities and Markets Authority (“ESMA”) Consultation Paper ‘Draft Guidelines for reporting under EMIR’ (“Consultation Paper” or “CP”).

ISDA appreciates the clarification this Consultation Paper provides for reporting under EMIR and we support many of ESMA’s proposals. The overall content and clarification within the Consultation Paper will assist market participants meet the requirements of the new technical standards and lead to improved data quality, accuracy and completeness of trade data reported to ESMA. We would like to take this opportunity to highlight some key areas which we hope ESMA will consider.

Reconciliation and tolerance levels: We recognise the need to set out clear reconciliation criteria and tolerance levels, and look forward to the opportunity of working with ESMA to assist with determining reconciliation requirements and tolerances levels that will meet regulators needs. Engagement between ESMA and the industry can help to ensure all reconcilable fields – both the fields with a 2-year delay to the reconciliation start date and fields to be reconciled from the start date – will be fit for purpose.

UPI and reference data: We are supportive that fields should not be populated if the values are captured by the UPI attributes. We note that there is remains a requirement to identify all the relevant EMIR fields covered by the UPI reference data and for it to be mandated that such fields will not be populated when a UPI is reported. We believe it is important to mandate that the UPI reference data fields must be left blank to avoid duplicative data being reported.

Format of TR reports: The guidance is clear that TRs must produce their reports in the XML schema. However, we do not believe that TRs should be limited to only producing reports in this format. The requirement to develop systems and processes to consume XML schema reports will be challenging and costly to all market participants, but particularly those that not report to TRs directly, e.g. firms that rely on a delegated reporting service, (which tend to be smaller firms), We agree that TR reports should be produced in the XML schema, but we request that TRs are permitted to also produce reports in a non-XML schema to assist all market participant consume the data in a controlled and cost effective way.

Futures and options executed on third country markets: The consultation paper is clear that listed futures and options executed on UK regulated markets are considered OTC. We welcome this clarification, but require additional guidance on how such trades are to be reported. Examples are provided for some fields within the guidance, but full worked through examples for reporting listed futures and options as OTC are needed to ensure consistent reporting across market participants. We would also welcome clarification that the requirement applies to ETDs executed on any non-recognised third-country market and is not limited to only UK regulated markets.

Package trades: The consultation paper proposes a package trade is to be reported in its entirety, including any elements that would otherwise be non-reportable under EMIR. We are concerned that this could result in non-derivative products coming into scope for EMIR and propose that only the components of package
trades that would be in scope for EMIR were they executed as a standalone trade are to be reported as part of a package.

About ISDA
Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 960 member institutions from 78 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org. Follow us on Twitter, LinkedIn, Facebook and YouTube.
<ESMA_COMMENT_REPO_1>
• Are there any other clarifications that should be provided with regards to the transition to reporting under the revised technical standards?

• Are there any additional aspects to be considered with regards to the eligibility to reporting of currency derivatives?

• Are there any aspects to be clarified with regards to the rest of contract types of currency derivatives? Please provide the relevant examples.

• Are there any additional aspects to be considered with regards to the eligibility for reporting of the derivatives on crypto-assets? Please provide the relevant examples.

Further clarification is required to establish a clear understanding of when to report a crypto-asset contract and how it is to be reported. For example:

- If a basket contains a crypto-asset, is the contract considered a crypto-asset trade and is to be reported as a crypto-asset, or are only single name crypto-asset trades reportable as a crypto-asset?
- What asset class are crypto-asset contracts to be reported under?
- Are crypto-asset contracts reported as OTC, ETD, or could they be either?

Examples of when a crypto-asset contract would be in scope for EMIR reporting and how such trades should be reported would assist in our understanding of the reporting requirements.

• Are there any additional aspects to be considered with regards to the eligibility for reporting of Total Return Swaps, liquidity swaps, collateral swaps or any other uncertainty with regards to potential overlap between SFTR and EMIR? Please provide the relevant examples.

It is assumed that Package identifier (field 2.6) replaces the current EMIR field Complex trade component ID (2.14), and any existing values reported for Complex trade component ID would be populated in the Package identifier field under EMIR Refit.

For the avoidance of doubt, please confirm that a four-legged swap would be reported as two trades, each with two legs, and linked with a Package identifier.

• Are there any additional aspects to be considered with regards to the eligibility for reporting of complex derivative contracts? Please provide the relevant examples.
• Are there other situations where a clarification is required whether a derivative should be reported?

• Do you agree with the above understanding?

• Are there other situations where a clarification is required whether a derivative involving a specific category of party should be reported?

• Do you agree with the above understanding?

• Are there other specific scenarios where a clarification is required?

Paragraph 41 specifies "where a counterparty… steps into the derivative contract and becomes a new counterparty to the derivative, the contract should be reported with action type 'New' and event type 'Step-in'." This makes clear the reporting requirements for the Stepping-in Party of a novation. We assume that the same requirements will apply to the Remaining Party of the novation when reporting the contract facing the Stepping-in Party, i.e. the Remaining Party also reported action type 'New' and event type 'Step-in'.

• Do you agree with the above understanding?

• Are there any other clarifications required with regards to the IGT exemption from reporting?

• Are there any other clarifications required for the handling of derivatives between NFC- and FC?
Renewal of LEI:
Paragraph 72 states that ESMA considers FCs should “liaise with the NFC so that the latter renews its LEI.” While an FC would maintain a number of reference data points of its clients, there is generally no current expectation for the monitoring of whether clients are fulfilling their own reference data liabilities, such as the renewal of the LEI. Each entity should be responsible for the renewal of its own LEI and we do not believe FCs should be expected to perform additional monitoring of their clients’ LEIs.

Information on outstanding contracts at TRs:
Paragraph 73 states that ESMA expect FCs to provide NFC clients with regular (e.g. monthly) information on the contracts reported by the FC and that remain outstanding at the TR. The intention is so an NFC-counterparty can view its contracts outstanding at TRs. However, implementing a process where NFC-counterparties obtain this information via reports provided by an FC will put additional and avoidable burden on the NFC-

There will be no standard format for FCs to provide the outstanding contract data to NFC-counterparties, and so an NFC that trades with multiple FCs may receive the reports in various formats, meaning the NFC-counterparty would need to consume and process reports in multiple formats. Additionally, an NFC-counterparty would only be able to review its outstanding contracts as and when the FC provides the report. Therefore, an NFC may have to wait for up to a month in order to perform such reviews.

It should be noted that FCs should already be liaising with NFC-counterparts on portfolio reconciliation for outstanding contracts, with the obligation to verify the accuracy of the data being with the FC and not the NFC-. However, to address the challenges of non-standardised report formats and the ability to review their contracts on demand, a simpler solution would be for the NFC-counterparty to on-board to the TR used by the FC. This will allow the NFC-counterparty to view all their outstanding contracts on a single report regardless of which FC submitted the report and give the NFC-counterparty the option to view the reports on demand rather than monthly.

Therefore, we propose that while the FC remains liable for the reporting of NFC-contracts, the NFC-counterparty should on-board to the TR used by the FC in order to reduce the impact to NFC-counterparties reviewing outstanding positions.

<ESMA_QUESTION_REPO_14>

- Are the current illustrative examples providing clarity and / are there other examples that should be incorporated in the guidelines?

<ESMA_QUESTION_REPO_15>
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<ESMA_QUESTION_REPO_15>

- Are there any other clarifications required for the reporting obligation related to CCPs?

<ESMA_QUESTION_REPO_16>
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<ESMA_QUESTION_REPO_16>

- Are there any other clarifications required for the reporting obligation related to Investment Funds i.e. UCITS, AIF and IORP that, in accordance with national law, does not have legal personality?

<ESMA_QUESTION_REPO_17>
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<ESMA_QUESTION_REPO_17>

- Do you see any other challenges with the delegation of reporting which should be addressed?
The concerns raised under question 14, where regular reports from FC of the outstanding contracts could prove unnecessarily burdensome to NFC-counterparties, also applies to delegated reporting. If the party providing the delegated reporting service is required to provide regular reports of outstanding contracts, it could introduce additional processing requirements for the delegating party. Therefore, as with the response to question 14, we propose that it would be easier and less challenging for the delegating entity to on-board to the TR used by the party providing the delegation service.

• Do you agree that only action types ‘Margin Update’ and ‘Correct’ should be used to report collateral?

We agree with this approach, although we note that the Implementation Technical Standards allow for ‘NEWT’ and ‘ERROR’ to be reported. These should be removed. Furthermore, the consultation paper advises that margin reports can be reported with action type ‘NEWT’, for example in paragraph 615. Therefore, the guidance should be amended to reflect that only the values ‘MARU’ and ‘CORR’ can be used for margin reporting.

• Are there any other clarifications required with regards to the use of the action types in general (other than specific aspects covered in the sections below)?

SFTR presents trade reporting and collateral reporting separately on trade state reports. The assumption is that EMIR will apply this same approach of differentiating between the two types of data, but please provide clarification.

• Do you agree with the sequences proposed? Please detail the reasons for your response.

As indicated in paragraph 110, if a contract has been at a non-outstanding status for over 30 days, action type Revive cannot be used and instead counterparties must re-report the contract with a new UTI.

Once a UTI is assigned to a contract, it should never be changed. Creating a new UTI while the contract is still live goes against the principles of the CPMI-IOSCO UTI standards. Furthermore, generating, exchanging and consuming new UTIs which are not due to a life-cycle event (for example due to a novation), will introduce additional layers of complexity and may negatively impact data quality. With UTIs to be applied globally, the impact of creating a new UTI will not just be limited to EMIR, but could have implications to any global reporting jurisdiction. By design, UTIs are intended to remain constant throughout the life of a contract, and incorrectly erroring or terminating the contract should not change this fundamental principle of the UTI.

We appreciate the requirement to create a new UTI if a contract has been at a non-outstanding status for over 30 days is in part to encourage market participants to act quickly when there are errors, but this will introduce negative impacts on the reissuing of UTIs to existing trades, and this can be avoided by removing the 30 day limit.

• Are there any specific scenarios in which the expected sequence of action types is unclear?

We agree that when Revive action type is used, counterparties should also report any missed submissions of life-cycle events that would otherwise have been reportable during the period the contract was at
a non-outstanding status. However, we disagree with the need to report corrections as indicated in paragraph 109: “reports with action type ‘Correction’ to correct any specific values in the report.”

As stated in paragraph 109 (and also paragraph 204 of the Final Report) “when reporting ‘Revive’ [counterparties] should provide all applicable details of the contract as of the time of revival.” Therefore, the correct contract details should be populated in the Revive submission and so there is no requirement to submit a subsequent ‘Correction’ message.

For example:

- A contract is reported with an incorrect maturity date.
- The contract is terminated in error before the maturity date is amended.
- The counterparty identifies the contract was terminated in error and also identifies the maturity date was originally reported incorrectly.
- The counterparty submits a Revive action type to move the trade back to an outstanding status. Because a Revive action type should reflect the trade details as at the time of revival, the correct maturity date is populated with the correct value.
- The contract is now at an outstanding status and reflects the correct maturity date. Therefore, there will be no need to submit a Correction action type.

If the above interpretation of reporting expectations is incorrect, or if there are scenarios where a Correction action type is to be reported immediately following a Revive as part of the same reporting event, we request examples to be provided.

<ESMA_QUESTION_REPO_22>

- Are any further clarifications needed with regards to the action type - event type combinations or their applicability?

<ESMA_QUESTION_REPO_23>

Further clarification is requested for valuation reporting. Specifically:

- Action type “CORR” can be used for valuation fields, but does this mean a full transaction report must be submitted or can the correction be limited to a valuation report only?
- If there is an error in a valuation submission, will only that submission need to be corrected, or would any other valuations submitted after the incorrect valuation message also need to be re-reported in chronological order?

We request examples of how to report corrections of a valuation report are included in the guidance.

The guidance in Table 5 is to report the Action type / Event type combination of ‘Modify’ and ‘Step-in’ “when a derivative or position with an existing UTI is modified due to a Step-in event.” For a full novation, the UTI would change and both the Stepping-out party and the Remaining party would both be required to report a termination. This is clarified in paragraph 41 of the consultation paper. Therefore, we conclude that the combination of ‘Modify’ and ‘Step-in’ would only be used for a partial novation (where the notional amount would also be reduced accordingly) and is not to be used to report full novation.

This same guidance in Table 5 mentioned above is inconsistent with footnote 15 on page 36, which reads “The term ‘Step-in’ is used as novation may refer also to updates to the terms of the trade that do not transfer the derivative to a different counterparty”. It is unclear if this footnote means the transfer of a trade to a different counterparty is excluded for event type ‘Step-in’, which would mean the Remaining Party should not use Event type ‘Step-in’ when reporting a novation event. Or weather it means ‘Step-in’ is used if the two counterparties remain the same, i.e. the Remaining Party and Stepping-out Party would use this action type when reporting the remaining contract following a partial novation.

We assume the intention of the footnote is to mirror the guidance in both Table 5 and Table 11 and that Event type ‘Step-in’ is to be used by the Remaining Party. Therefore, it may be clearer if footnote 15 reads “…refer also to updates to the terms of the trade including the transfer the derivative to a different counter-party”.

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In general, it would be helpful if the guidance were to include examples of different types of novations to better understand how they are to be reported, such as partial novations and 4-way novations.

Some action types do not require the Event type field to be populated. Where this is the case, is the expectation for TRs to leave ‘Event type’ as a blank value on their reports, or should the last reported value for the ‘Event type’ field be persisted?

- Is it clear when the linking IDs should be used, and in which reports they should be provided? Do you agree that the linking IDs should be reported only in the reports pertaining to a given lifecycle events and should not be included in all subsequent reports submitted for a given derivative? Are any further clarifications on linking IDs required?

Paragraph 122 refers to the prior UTI being populated in field 4 of Table 2. However, the Prior UTI field is field 3 of Table 2. Presumably this is a typo.

We agree that linking IDs should be reported only for their specific lifecycle events.

- Do you agree with the ESMA’s approach related to leaving the Event type blank in the case of multiple events impacting the same position on a given day? How often multiple events/single events impact the same position on a given day? Have you assessed the single versus multiple events impacting positions on a given day? Do you have systems or methods to distinguish between one or multiple events impacting the positions on a given day?

- Do you agree with the proposed clarifications concerning population of certain fields at position level?

Additional clarification is requested on how a RTN value is generated and linked.

- Do you need any other clarification with regards to the position level reporting?

- Are there any other aspects that should be clarified with regards to reporting of on-venue derivatives?

- Do you agree with the proposal for reporting conclusion of derivatives? Please detail the reasons for your response
Do you agree with the proposal for reporting modifications and corrections to derivatives? Please detail the reasons for your response.

Paragraph 178 states that the reporting of modifications should be delayed if the change is effective on a future date. We disagree that any reportable events should be delayed until a future date and instead the relevant report should be submitted at the time the event is agreed. To withhold the reporting of agreed lifecycle events will require all market participants to develop and implement processes that will identify when reporting should be delayed and withhold the reporting of the event until a future date. This introduces additional costs and complexities to reporting infrastructures, and increases the risk of reporting errors and reconciliation breaks.

To withhold modification events until the change is effective is inconsistent with how other lifecycle events are reported, for example a New trade is reported as of the execution date even if the contract is not effective until a future date, and a termination is reported as of the date the termination is agreed even if the termination effective date is in the future. Delaying the reporting of modifications therefore, would be inconsistent with how all other events are reported.

We appreciate delaying reporting of modifications would potentially assist with the reconciliation against valuation reporting, but the reconciliation risks, processing complexity and inconsistency with other event types arguably outweighs any such benefits. Therefore, we propose that modifications should be reported as of the time they are agreed between the counterparties and not withheld if the modification is effective at a later date.

Do you agree with the specification of the ‘Event date’ for different action types?

Table 11 shows that for a Full Novation, the Remaining Party should report a Modify and Step-in. However, the new trade between the Remaining Party and Stepping-in Party will be assigned a new UTI and therefore instead of reporting a Modify action type, the Remaining Party would need to:
1) Terminate the original trade between the Remaining Party and Stepping-out Party with ‘Terminate’ and ‘Step-in’,
2) Report the new trade against the Stepping-in Party under the new UTI with ‘New’ and ‘Step-in’.

This is specified in paragraph 41 of the consultation and we believe Table 11 should be amended accordingly.

As identified in our answer to question 23, our assumption is that a Remaining Party is expected to use ‘Step-in’ Event type when reporting novation events.
• Are there other business events that would require clarification? If so, please describe the nature of such events and explain how in your view they should be reported under EMIR (i.e. which action type and event type should be used).

<ESMA_QUESTION_REPO_33>
Table 11 includes a scenario for Allocation where the original Block trade is reported with ‘Terminate/Modify’ and ‘Allocation’. However, the table does not include a Business Event for reporting the subsequent Allocation trades. These would presumably be in the ‘Trade events’ category and would be reported as ‘New’ and ‘Allocation’.
Please include the reporting of Allocation trades in Table 11.

We believe that additional Corporate Action types can be included in the Details column, namely Assignments and Transfers. More analysis and clarification are required on what types of corporate actions would require reporting for EMIR.

<ESMA_QUESTION_REPO_33>
• Which approach do you prefer to determine the entity with the soonest reporting deadline? Please clarify the advantages and challenges related to each of the approaches.

<ESMA_QUESTION_REPO_34>
The ‘Semantic’ approach is the preferred method for determining which entity has the soonest reporting deadline. The ‘follow the sun’ approach is more complex to manage and more prone to error. However, we would like to note that neither approach addresses the key underlying issue of the UTI generation being dependent on each parties reporting deadlines, as it still requires counterparties to maintain reference data of the jurisdictions clients are in scope for. Even then, the jurisdictional eligibility may be determined on a trade-by-trade basis depending on the location of the trader or sales person.

Within this same step of the UTI flowchart, the is an outcome where the TR is responsible for generating the UTI. We do not believe this is optimal as it will require counterparties to establish an additional source to consume UTIs, it will require more reference data to be maintained (i.e. what TR each client reports to), and is contrary to the primary purpose of TRs, i.e. to consume, validate and reconcile trade data, rather than generating data to be consumed by TR users. Therefore, we suggest removing the step of TRs generating a UTI.

<ESMA_QUESTION_REPO_34>
• Are there any other aspects that need to be clarified on UTI generation?

<ESMA_QUESTION_REPO_35>
Paragraph 4 of Article 7 in the draft ITS states that a third party can be identified as the UTI generator – “Notwithstanding paragraph 2, the generation of the UTI can be delegated to an entity different from that determined in accordance with paragraph 2.” This is not mentioned in the consultation, so we recommend the guidance should include the option to delegate UTI generation to a third party along with clarification of how UTI delegation would work alongside the UTI generation flowchart.

If a trade has been at a non-outstanding status in error for over 30 days, it cannot be revived and must be reported as a new trade with a new UTI. The UTI generation waterfall logic should consider this step and identify that if a UTI is changed for EMIR reporting it will require a new UTI to be generated for global reporting requirements.
As identified in our response to question 21 though, we do not believe there should be a 30 day limit on the use of action type Revive.

<ESMA_QUESTION_REPO_35>
• Are there any other types of contracts for which the determination of the counterparty side needs more clarity?
• Are there any other clarifications required with regard to the determination of the counterparty side (other than specific aspects covered in other sections)?

ISDA supports the response made by the Global Foreign Exchange Division (‘GFXD’) of the Global Financial Markets Association (‘GFMA’), that the CDE will need to be complemented by the FX Cash Rule\(^1\) to ensure that it is clear who is the payer and who is the receiver for the purposes of reporting.

• Are there any other clarifications requested with regards to the identification of counterparties?

• Are there any other aspects to clarify in the LEI update procedure when a counterparty undergoes a corporate action?

We would appreciate clarification on the following points:

- Paragraph 228 refers to the communication expected between the “entity involved in the update and its TR”. A more specific definition for the ‘entity involved’ would provide additional clarity on the regulatory expectations.
- Paragraph 238 specifies “[t]he responsibility for indicating which UTIs are affected by the change should remain with the counterparties or entities responsible for reporting.” We request this is made more explicit as to whether TRs only need (i) one counterparty or entity to indicate what UTIs are affected, or (ii) whether both counterparties or entities need to agree. The current wording in the guidance could be interpreted either way.
- Paragraphs 239 to 241 says trades that were errored or terminated by mistake need to be revived prior to the corporate event, and if they are not revived before the event the counterparties need to re-report those trades with a new UTI. As expressed in our answer to question 21, a UTI is intended to be persisted for the full life of a trade. To generate a new UTI goes against one of the basic principles for global UTIs, can lead to misreporting and have a negative impact on data quality. Therefore, we request that the requirement for new UTIs to be generated in the above mentioned scenario is removed from the guidance and that the UTI will remain constant for the life of the trade.
- Paragraph 242 says TRs are to provide information on updated LEIs in a machine readable format. We request additional clarification on the expectations are for a machine readable format, for example what format should be used, how would it be communicated, etc.

• Are there any other aspects to be considered in the procedure to update from BIC to LEI?

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\(^1\) See [https://www.gfma.org/wp-content/uploads/uploadedFiles/Initiatives/Foreign_Exchange_(FX)/FX%20Trade%20Side%20%2020201209%20v0%201.pdf](https://www.gfma.org/wp-content/uploads/uploadedFiles/Initiatives/Foreign_Exchange_(FX)/FX%20Trade%20Side%20%2020201209%20v0%201.pdf)
• Do you require any further clarification on the use of UPI, ISIN or CFI for derivatives?

The UPI has been designed to be a global standard identifier and will be adopted by other jurisdictions as the product identifier. Paragraph 244 confirms derivatives admitted to trading or traded on a trading venue or a SI are to have an ISIN, and the ISIN is to be reported instead of a UPI. With many contracts in scope for multiple jurisdictions, there will be multiple derivatives reported with an ISIN for EMIR and with a UPI for other reporting regimes. This differing approach to the application of product identifiers introduces divergence between EMIR and other jurisdictions that could be avoided if UPIs were to be reported for all OTC derivative contracts.

Paragraph 246 advises only a valid CFI code should be reported, but also says that if “the CFI does not exist in the official sources, then it should be agreed between the counterparties”. We believe that if the counterparties need to agree on the CFI code between themselves, it cannot be a valid CFI. We propose that the guidance should simply be to report a valid CFI and the second sentence in paragraph 246 is removed.

As a more general observation, the information available from CFI codes can be derived from both the UPI and/or the ISIN. Therefore, reporting a CFI code in addition to the UPI or ISIN will arguably not provide any data that is not already available.

• Do you require any further clarification with regards to the reporting of fields covered by the UPI reference data? Which fields in the future should /should not be sourced exclusively from the UPI reference data rather than being reported to the TRs?

Paragraph 248 states that once UPIs are fully in place, reference data fields are not required to be reported if they are covered by the attributes of the UPI. We request clarification on whether this means reporting these reference data fields is not ‘required’, but can be populated if the counterparty wants to, or is not ‘allowed’ and would result in the message failing the validation checks.

If the reference data fields can be reported (should the counterparties prefer to do so), it is possible that the data populated in the EMIR message fields do not match the data attributes of the UPI. In this circumstance, please advise which value would take precedence and whether the message is expected to fail the validation checks.

Only derivatives reported with a UPI will not need to populate the reference data fields. However, apart from a very small number of exceptions, ISINs will be linked to a UPI and therefore it should be possible to collect the relevant reference data using the ISIN. Therefore, we request that ESMA consider permitting reference data fields to be left blank when either a UPI or an ISIN is reported.

Paragraph 249 explains that the validation rules will be amended at a future time to accommodate UPI reference data. We welcome the proposed changes, but we urge caution that the updates should only be made after reporting has started under the new technical standards. This will avoid market participants having to make alterations to reporting processes close to the go-live date.

It is understood that only one of the ISIN or the UPI should be reported. We propose that the validation rules are updated to make it clearer that if an ISIN is populated in field 2.7, the UPI must not be reported, e.g. the validation rule for field 2.8 could read “If the field 2.7 is populated, this field must be blank.”

The validation rule for field 2.7 reads “If field 2.41 is populated with a MIC of a trading venue (RM, MTF or OTF), this field shall be populated.” We interpret this to mean that where the MIC is for an EU trading venue an ISIN should be populated, but in all other circumstances the UPI is reported. Therefore, if a MIC is reported for a non-EU trading venue, the UPI rather than the ISIN should be reported. We request the guidance clarifies that the ‘MIC of a trading venue’ validation rule for ISIN applies to EU-trading venues only, and that the ISIN is left blank in all other circumstances.
Do you require any further clarification on the reporting of details of the underlying?

We understand as per Paragraph 456 (under section 6.8) that for Credit trades, market participants are to populate the underlyer with the ISIN of the reference obligation. However, we question if there could be scenarios where the underlying identification fields should be populated with the details of the Reference Entity instead of the reference obligation. If so, please provide further guidance and examples.

Is any further guidance required in relation to the population of the notional field?

The CPMI IOSCO CDE guidance for ‘Notional Amount Schedule’ says the ‘End date of the notional amount of leg 1’ (and similar ‘end date’ of schedule fields) is not required if the “end date of a given schedule’s period is back-to-back with the unadjusted effective date of the subsequent period”. However, the EMIR validation rules for the ‘end date’ of notional schedules are conditional on the notional amount schedule field being populated. For example, the field “End date of the notional amount of leg 1” has the validation rule of “If field 2.59 is populated, this field shall be populated”. We also note however, that the ‘Details to be reported’ in the validation table says the end date fields are “not applicable if the unadjusted end date of a given schedule’s period is back-to-back with the unadjusted effective date of the subsequent period”.

For the EMIR validation rules to align with the ‘Details to be reported’ and the CDE guidance, we propose that the validation rules for the ‘end date’ of schedule fields are conditional if the notional amount schedule field is populated and the end date is not back-to-back with the effective date of the subsequent period.

The CDE guidance for Notional amount schedule says “The initial notional amount and associated unadjusted effective and end date are reported as the first values of the schedule”, with similar wording for Notional quantity schedule. However, the CDE is silent on what to report as the first value for the Price and Strike price schedules. The EMIR guidance and validation rules do not specify what to report as the first value for any of the schedule fields (notional amounts, notional quantities, price and strike price). Therefore, could you clarify whether market participants should:

1) Report the initial value of a schedule in the non-schedule field and populate the subsequent values in the schedule fields? For example, for Notional amount of leg 1, the initial notional amount is populated in field 2.55, and all subsequent notional amount values are populated in field 2.59 (Notional amount in effect on associated effective date of leg 1). Or

2) Reporting the initial value of a schedule in the non-schedule field, but report the initial value again – along with all subsequent values – in the schedule fields? For example, for Notional amount of leg 1, the initial notional amount is populated in field 2.55, and reported again with all the subsequent notional amount values in field 2.59 (Notional amount in effect on associated effective date of leg 1).

Is any further guidance required in relation to the population of the Total notional quantity field? How should the Total notional quantity field be populated, distinguishing between ETD and OTC and asset class?

The Total notional quantity fields are shown in the validation rules as mandatory for all products. However, this data is only relevant for equity and commodity products, and we are unclear what value is to be reported for products in the other asset classes. Therefore, we propose that the Total notional quantity fields are conditional on the asset class being either Equities or Commodities.
It is not clear whether the total notional quantity fields are to represent the aggregate notional amount or whether the values replace the price / multiplier fields. Clarification on this would be welcomed.

<ESMA_QUESTION_REPO_45>

- Are there other instances when we would expect to see a zero notional for Position Reports? Please provide examples. Are there any instances when we would expect to see a notional of zero for Trade Level Reports? Please provide examples.

<ESMA_QUESTION_REPO_46>

- Are there any other aspects in reporting of valuations that should be clarified?

<ESMA_QUESTION_REPO_47>

Paragraph 267(b) states that counterparties should not apply any validation adjustments. This is contrary to the adjusted value as recommended by CPMI IOSCO CDE guidance – “Current value of the outstanding contract. Valuation amount is expressed as the exit cost of the contract or components of the contract, i.e. the price that would be received to sell the contract (in the market in an orderly transaction at the valuation date).” Where other global jurisdictions adopt the CDE definition of valuation amount, market participants will need to report two different valuation amounts for the same contract when it is in scope for multiple jurisdictions, i.e. report both the unadjusted amount and adjusted amount. This is inefficient and adds complexity to the control framework (maintaining two values and two sets of reporting logic in the reporting processes).

In order to achieve global harmonisation of valuation amount we propose that EMIR aligns to CDE guidance to report the adjusted amount.

<ESMA_QUESTION_REPO_47>

- Are there any other aspects in reporting of delta that should be clarified? Are there instrument types (in addition to swaption) where further guidance is needed with regards to the calculation of delta?

<ESMA_QUESTION_REPO_48>

The Delta could be reported as the adjusted value – to take counterparty risk into account – or the unadjusted value – to exclude counterparty risk. Our assumption is that Delta is to be reported as unadjusted, but please confirm this in the guidance.

It is possible that for the more exotic trades, the Delta can be greater than 1 or less than -1. We note that the CDE guidance also limits the value to between 1 and -1 (inclusive). Although it may be uncommon for the Delta value to be outside of this range, we request guidance on how to report this field in such scenarios, for example should a value or “1” or “-1” be reported, or do the rules themselves need to differ from CDE guidance?

<ESMA_QUESTION_REPO_48>

- Are there any further clarifications required with regards to the reporting of margins?

<ESMA_QUESTION_REPO_49>

Paragraph 284 states the reporting counterparty can decide which currency to use to report margin “as long as the base currency chosen is one of the major currencies which represents the greatest weight in the pool”. Counterparties will bilaterally agree on the margin currency to use and will document this (for example within the Credit Support Annex (CSA)). The margin currency agreed between the counterparties may not necessarily be the currency with the greatest weight in the pool. We believe that limiting the cur-
rency of margin to ‘the greatest weight in the pool’ may result in reporting a currency which is not repre-
sentative of what has been agreed between the counterparties. Instead, counterparties should be permit-
ted to report margin in any ISO 4217 currency.

Paragraph 289 states that while margin is not reconcilable, “margins reported by the counterpar-
ties should be consistent”. This paragraph implies some level of reconciliation without providing any additional guid-
ance as to the reporting requirements of market participants. Therefore, to avoid misinterpretation of the
reporting and reconciliation conditions, we propose this paragraph is removed.

Paragraph 291 states that the Collateral portfolio code cannot include any special characters. Current
EMIR reporting permits four special characters. This means that any market participants that currently in-
clude special characters in the collateral portfolio codes will need to re-issue the codes to meet the new
validation requirements. This will create additional development costs and unnecessary reporting for no
clear benefit. Therefore, we propose that the four special characters currently allowed for reporting the col-
lateral portfolio code is retained for EMIR Refit reporting.

- Are there any further clarifications required with regards to the reporting of the trading venue?

If ETD contracts executed on UK regulated markets are to be reported as OTC derivative contracts,
please provide full examples of how to populate all reportable fields. Section 7.2.2.2 of this consultation
paper identifies how to populate the fields ‘Clearing obligation’ and ‘Intragroup’, but indicates other fields
will also need to be populated differently. Without clear examples of how ETDs are to be reported as OTC
derivatives, it is likely these trades will be reported inconsistently across market participants, resulting in
numerous reconciliation breaks.

This can be avoided if (a) UK regulated markets are recognised and ETD contracts executed on such
markets are reported as ETDs, but failing that (b) ESMA provide full examples of how ETD contracts are
to be reported as OTC derivatives.

- Are there any further clarifications required with regards to the reporting of clearing?

Paragraph 320 states when a derivative is executed on an anonymised market and is cleared, the execut-
ing counterparty should request the identity of the other counterparty from the trading venue or clearing
house. This will impact the markets on which EU counterparties can execute trades because in June
2020, the US Commodity Futures Trading Commission (CFTC) adopted final rules prohibiting post-trade
name give-up for anonymously executed swaps effected on swap execution facilities (SEFs) where those
swaps are intended to be cleared. This means, where a firm executes a derivative transaction on a SEF,
they would not have access to information about the identity of their counterparty. As a result, EU firms
would come subject to a conflict between the EMIR reporting requirement to report information on the
identity of the other counterparty, and the CFTC rule that prohibits the SEF from disclosing this infor-
mation.

ISDA highlighted this scenario to ESMA in October 2020 where we identified that was our understanding
that the reference to “contracts concluded on a trading venue” in Article 2(2) of the EMIR Reporting RTS
should be read in light of the ESMA Q&A2 on reporting of exchange traded derivative contracts, rather
than in light of the definition of “trading venue” under EMIR.

Article 2(2) mirrors ETDs Reporting Answer 3, which also provides that a contract concluded on a "trading
venue" (as defined in the Q&A) should be reported in its post give up state if it is given up for clearing
within T+1.

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ETDs Reporting Answer 1 defines "trading venue" to mean that term "as defined in Article 2(8) of the Commission Regulation (EC) No 1287/2006, but excluding contracts concluded through a systematic internaliser". The relevant definition is:

A regulated market, MTF or systematic internaliser acting in its capacity as such, and, where appropriate, a system outside the Community with similar functions to a regulated market or MTF.

As a result, the ESMA Q&A clearly provide that a contract traded on an EU or non-EU venue which is given up for clearing within T+1 should be reported only in its post give-up state. If Article 2(2) of the EMIR Reporting RTS only applies to contracts traded on EU venues, there would be a mismatch between the Reporting RTS and the Q&A.

In order to avoid limiting EU counterparties from trading on non-EEA trading venues or clearing houses, we encourage the removal of the restrictions introduced in paragraph 320.

Are there any further clarifications required with regards to the reporting of confirmation timestamp and confirmation means?

Are there any further clarifications required with regards to the reporting of settlement currencies?

Paragraph 327 of the consultation says this field "should be populated as the currency of the underlying to be delivered in the case of a physically settled derivative…", and Table 33 in section 6.4 (referred to in paragraph 328) gives an example of both Settlement currency 1 and Settlement currency 2 fields being populated for a physically settled trade. However, the ‘Details to be reported’ for Settlement currency 1 and Settlement currency 2 says "This data element is not applicable for physically settled products", with the validation rules saying the field Settlement Currency 1 is only to be reported if Delivery type is "CASH". Please clarify whether the Settlement currency fields are to be populated for physically settled trades or should be left blank, with the rules and guidance updated accordingly.

Further clarification is requested of how to report the settlement currency for a physically settled crypto-asset trade. See the response to question 58 for additional details.

Are there any additional clarifications to be considered related to reporting of regular payments?

The guidelines and validation rules will lead to duplicative reporting of the floating rate identifier by requiring the full name of interest rates to be reported in addition to the ISIN or 4-letter code for that rate. This should be simplified so that floating rates only need to be identified once. The duplicative reporting is as follows:

- Paragraph 332 and the validation rules state that "Floating rates could be identified with an ISIN and/or with a 4-letter standardized code". If the floating rate is identified with an ISIN, the 4-letter code should not be required.
- Paragraph 333 states that the official name of a floating rate should be reported in addition to reporting the ISIN or 4-letter code. This is a duplication of data already identified by the ISIN or 4-letter code.
A floating rate should only need to be identified once and reporting different values for the same rate would not provide any additional data. We propose that the validation rules should state that once a floating rate is identified in one field, the related floating rate identifier fields are left blank. This will avoid duplication of reported data.

Therefore, we propose the following changes:

- Guidance and validation rules should be updated so that a floating rate is identified either by an ISIN or a 4-letter code, but cannot be both.
- Guidance and validation rules should be updated so the fields for the official name of a floating rate (fields 2.85 and 2.101) are only to be reported when both the ISIN of the underlyer (field 2.14) and the 4-letter code field(s) (2.84 and 2.100) are blank.

We also note inaccuracies within the validation rules for identifying floating rate:

- Field 2.13 (Underlying identification type) has the validation condition “If field 2.11 is populated with "INTR", at least one of the following fields shall be populated: 2.13, 2.79, 2.84.”
- However, this validation rule for field 2.79, refers to field 2.85 (Name of the floating rate of leg 1), and not 2.84 (Indicator of the floating rate of leg 1).
- Field 2.85 has the same validation rule as 2.79, i.e. the conditionality is based on the fields 2.13, 2.79 and 2.85, (not 2.84).

The validation rules for fields 2.13, 2.79 and 2.85 should consistently refer to the same fields, and we believe the validation rule for field 2.13 needs to replace “2.84” with"2.85". See the separate responses for the validation rules.

<ESMA_QUESTION_REPO_54>

- Are there any further clarifications needed with regards to the reporting of other payments?

<ESMA_QUESTION_REPO_55>

The guidance clarifies that the initial and final principle exchange amounts of a Cross Currency Swap (CCS) are to be reported as other payments at the start of the trade (the New trade submission). We are unclear however, whether the final principle exchange amount is to be persisted for the life of the trade, (i.e. included on all future submissions, due to the payment date of the final principle exchange being at the maturity of the CCS), or is only reported once for the NEWT submission, with the final principle exchange amount omitted from all future messages for that trade despite that principle exchange would not yet have occurred. Please provide confirmation on how the final principle exchange is to be reported after the initial NEWT message.

<ESMA_QUESTION_REPO_55>

- How would you define effective day for novations and cash-settled commodity derivatives?

<ESMA_QUESTION_REPO_56>

Novations:
For new trades (between Remaining Party/Transferee or Transferee 1/Transferee 2), either:

1. if the effective date of the trade is in the past, then report the Novation Date of the novation agreement, or
2. if the effective date of the trade is a future date (i.e. a forward starting swap that has been novated between the Trade Date and the Effective Date), then report that future effective date of the trade.

For partial novation between Remaining Party and the Transferor, the original Effective Date for the transaction is reported.

Cash-settled commodities should reflect the effective date as specified on the confirmation.
- What are reporting scenarios with regards to dates and timestamps which you would like to be clarified in the guidelines? Are there any other aspects that need to be clarified with respect to dates and timestamp fields?

<ESMA_QUESTION_REPO_57>
Paragraph 349 states that each counterparty should follow its own local calendar to determine the deadline for reporting. Market participants supporting delegated reporting (voluntary delegated reporting and/or when an FC is liable to report an NFC-clients trades), will be required to maintain multiple regional calendars. This will introduce additional layers of complexity to managing reporting deadlines. This would not be an issue however, if there were a single calendar applicable to all EMIR reporting. Therefore, we propose that counterparties should not follow their own local calendar to determine the reporting deadline, but rather a single EMIR wide calendar is applied. Clarification would be required as to what calendar is to be used.
<ESMA_QUESTION_REPO_57>

- Are there any other aspects that need to be clarified with respect to the derivatives on crypto assets?

<ESMA_QUESTION_REPO_58>
The current expectation is for crypto-asset trades to be cash settled in a recognised ISO 4217 currency. This does not take into consideration however, the possibility that crypto-asset trades may be physically settled in the future. Therefore, clarification should be provided of how to report a currency code if a crypto asset trade is physically settled.
<ESMA_QUESTION_REPO_58>

- Do you consider any scenarios in which more clarification on the correct population of the fields related to package transaction is needed?

<ESMA_QUESTION_REPO_59>
Paragraph 356 says that a package should be reported in its entirety, including any elements that would otherwise be non-reportable under EMIR. We understand that the intention is that only derivative instruments are to be reported for EMIR, but we are concerned that the wording is open to non-derivative instruments will fall in-scope to be reported as a derivative. For example, if a package trade is made up of OTC derivatives (in-scope for EMIR) and a Bond (out of scope for EMIR), the guidance could be interpreted as requiring the Bond to be reported. To report the Bond would result in erroneous and misleading data which will not be useful information to regulators or market participants.

In order to retain the integrity of data being submitted for EMIR, and to avoid incorrect interpretations of how package trades are to be reported, please provide more information of what is meant by the non-reportable element of a package trade that should be reported. Our view is that only the elements of package trades that are in-scope for EMIR as standalone instruments should be reportable.

It would also be helpful to provide examples of how to report the non-eligible elements that may become in-scope if they are part of a package trade. This would make it more likely for package trades to be reported consistent across the industry.
<ESMA_QUESTION_REPO_59>

- Which of the proposed alternatives with regard to significance assessment method do you prefer? Should ESMA consider different metrics and thresholds for assessing the scope of notifications sent to the NCAs? Please elaborate on the reasons for your response.

<ESMA_QUESTION_REPO_60>
Our preference is Alternative A. Using the average monthly numbers will capture more systematic errors and issues that arise and will be less susceptible to issues that are resolved within a day.
As a general comment, a standardised form adopted across NCAs will assist with ensuring market participants notify NCAs of any errors or omissions in a consistent way.

- Do you prefer Option 1 or Option 2 with regard to the number of affected reports notified to the NCAs? Please elaborate on the reasons for your response.

- Should significance of a reporting issue under Article 9(1)(c) of the draft ITS on reporting also be assessed against a quantitative threshold or the qualitative specification only is appropriate? In case threshold should be also applied, would you agree to use the same as under Alternative A or B? Is another metric or method more appropriate for these types of issues? Please elaborate on your response.

- Are there any other aspects or scenarios that need to be clarified with respect to ensuring data quality by counterparties? Please elaborate on the reasons for your response.

- Are there any other aspects in reporting of IRS that should be clarified?

Industry reporting best practices have been produced to determine leg 1 and leg 2 of swap trades. These are captured within the published best practice document (https://www.isda.org/2020/03/03/emir-reporting-best-practices/). We propose that these best practices are captured within the guidance document so they are adopted consistently by market participants.

As previously identified within the response to question 54, we believe that reporting a floating rate ISIN, 4-letter code and the full name is duplicative reporting and not necessary. As noted in paragraph 468 of the guidelines consultation, data fields are designed to provide the required information “without any unnecessary repetition”. The current proposal in the guidelines however, can result in a floating rate value being reported three times. As an alternative, we argue waterfall logic should be followed for determining how to identify a floating rate as follows:

1) If the floating rate has an ISIN, report the ISIN in field 2.14 and fields 2.84 and 2.85 are left blank.
   If there is no ISIN, then:
2) If the floating rate can be identified by one of the 4-letter codes, report the relevant code in field 2.84, and field 2.85 is left blank. If there is not a 4-letter code, then:
3) Report the full name of the floating rate in field 2.85.

- Are there any other aspects in reporting of swaptions that should be clarified?
The example in Table 30 shows the strike reported as "MntryVal" in the XML message column, but we believe this should be reported as a percentage.

<ESMA_QUESTION_REPO_65>

- Are there any other aspects in reporting of FRAs, cross-currency swaps, caps and floors or other IR derivatives that should be clarified?

<ESMA_QUESTION_REPO_66>

The guidance for reporting the dates for FRA trades is in line with the Q&A, but we request additional clarification for Effective Date and Maturity Date.

**Effective Date**

The guidance advises this date would be the “same as the date part of the execution timestamp” unless the counterparties agree to postpone. This guidance suggests the reported Effective Date would match the date reported for Execution Timestamp. However, the agreement to postpone can be interpreted to mean the future date on which the obligation between the parties arises. This would be the date the industry references as an Effective Date of a FRA. As an example, a FRA was entered into with the following details:

- Executed on 22 February
- Fixing Date (2 day fixing) 20 May
- Effective Date (3M) 22 May
- Maturity Date (6M) 22 August
- Settlement Date 22 May

In this example, would the Effective Date be reported as 22 February or 22 May?

For reference, the CPMI IOSCO CDE guidance says Effective Date is the date “as included on the confirmation”. In the above example, we believe this would be shown as 22 May.

**Maturity Date**

The guidance says this is “the date on which the exposures between the counterparties are extinguished”. This is interpreted as the fixing date of the FRA, which in the above example would be 20 May. However, this can also be interpreted as the effective date as agreed at execution, which in the above example is 22 May.

The guidance does not include an example of how to report a FRA. We request that such an example is included as this should help address the above points.

<ESMA_QUESTION_REPO_66>

- In the case of FX swaps, what is the rate to be used for notional amount of leg 2? Should it be the forward exchange rate of the far leg as it is in the example provided? Or the spot exchange rate of the near leg?

<ESMA_QUESTION_REPO_67>

- In the case of FX swaps, considering that the ‘Final contractual settlement date’ is not a repeatable field, should the settlement date of the near leg be reported, for example using the other payments fields?

<ESMA_QUESTION_REPO_68>
• Do you have any questions with regarding to reporting of FX forwards?

• Do you have any questions with regarding to reporting of FX options?

Table 38 provides an example of how to report an FX Option. The date populated for ‘Expiration Date’ and ‘Final Contractual Settlement Date’ are the same (31 December 2018). Typically, settlement will occur after the expiration date (normally spot settlement), so presumably this is an error in the Table to be corrected.

• What is the most appropriate way to report direction of the derivative and of the currencies involved with an objective to achieve successful reconciliation? Please detail the reasons for your response.

If it is determined that TRs will not solve the data reconciliation issues (Alternative B), we refer to our response to question 37, where ISDA supports the response made by the Global Foreign Exchange Division (‘GFXD’) of the Global Financial Markets Association (‘GFMA’), that the CDE will need to be complemented by the FX Cash Rule\(^3\) to ensure the direction of a derivative is clear for the purposes of reporting.

• Do you agree with the population of the fields for NDF as illustrated in the above example? Should other pairs of NDFs be considered? Please provide complete details and examples if possible.

• Do you agree with the population of the fields for CFD as illustrated in the above example? Do you require any other clarifications?

• Specifically, in the case of equity swaps, portfolio equity swaps and equity CFDs how should the notional and the price be reported in the case of corporate event and in particular “free” allocations?

• Are there any other clarifications required with regards to the reporting of equity derivatives?

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\(^3\) See [https://www.gfma.org/wp-content/uploads/uploadedFiles/Initiatives/Foreign_Exchange_(FX)/FX%20Trade%20Side%2020201209%20v0%201.pdf](https://www.gfma.org/wp-content/uploads/uploadedFiles/Initiatives/Foreign_Exchange_(FX)/FX%20Trade%20Side%2020201209%20v0%201.pdf)
- Are there any other clarifications required with regards to the reporting of credit derivatives?

<ESMA_QUESTION_REPO_76>
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<ESMA_QUESTION_REPO_76>

- Are there any other aspects in reporting of commodity derivatives that should be clarified?

<ESMA_QUESTION_REPO_77>
Clarification is requested of how to report multiple values for days of the week.
<ESMA_QUESTION_REPO_77>

- Do you agree with the population of the counterparty data fields? Please detail the reasons for your response and indicate the table to which your comments refer.

<ESMA_QUESTION_REPO_78>
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<ESMA_QUESTION_REPO_78>

- Is there any other use case related to the population of counterparty data which requires clarifications or examples? Please detail which one and indicate which aspect requires clarification.

<ESMA_QUESTION_REPO_79>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_REPO_79>

- Do you agree with the approach to reporting action types? Please detail the reasons for your response and include a reference to the specific table.

<ESMA_QUESTION_REPO_80>
We agree with the approach to reporting action types, although we request additional clarification of some of the elements captured within this section of the consultation paper.
- Section 7.2.2.3 relates to the reporting of valuations and as identified in our response to question 23, we are unclear how to report corrections to valuation messages. Examples of corrections would help provide clarification.
- Related to reporting of valuations; a valuation message does not require the Event type to be populated. Within our response to question 23, we ask for clarification of whether a blank value for ‘Event type’ should be reflected in TRs reports, or whether TRs should persist the last value populated for the Event type field.
<ESMA_QUESTION_REPO_80>

- Are there any additional clarifications required with regard to the reporting of other payments?

<ESMA_QUESTION_REPO_81>
As per question 55, we would like additional clarification on whether the final principle exchange amount of a Cross Currency Swap is reported for the NEWT message only or is to be persisted for all subsequent messages given the payment will not take place until the end of the trade.

We also believe there are errors in Table 80 which gives an example of how principle exchange is to be reported.
- The validation rules for fields 2.17, 2.18 and 2.19 states “Either field 1.17 or both fields 1.18 and 1.19 shall be populated.” However, all three of these fields are populated in the example. We believe that 2.17 (Direction) should be left blank.
• The values for Direction of Leg 1 (2.18) and Direction of Leg 2 (2.19) appear to be populated the wrong way round. Direction of Leg 1 is populated with ‘MAKE’ which we interpret to mean Counterparty 1 is the payer of the leg 1 coupon amounts. If so, Counterparty 1 pays the floating / fixed rate based on the EUR notional amount in this example. Therefore, Counterparty 1 would be expected to receive the EUR notional for the initial principle exchange and pay the EUR notional for the final principle exchange. However, the example shows Counterparty 1 pays the EUR notional amount for the initial notional exchange and receives the EUR notional for the final principle exchange. Is this an error in the example, or is the Direction of Leg 1 and Leg 2 for CCSs to be determined differently compared to other Rates trades?

Additionally, we want to highlight that the reporting example within section 7.2.2.2 demonstrates how to populate the fields ‘Clearing obligation’ and ‘Intragroup’ when an ETD contract is to be reported as an OTC derivative, but suggests there are other fields that may need to be reported differently as well. As requested under our answer to question 50, please provide examples of all impacted fields when an ETD is to be reported as an OTC derivative.

• Do you agree with the approach to reporting margin data? Please detail the reasons for your response and include a reference to the specific table.

We agree with the approach for reporting margin data. We suggest that an additional example is included within the guidance for reporting the margin data of a trade for the first time, so that it shows an Action type of “MARU” is to be used.

• Which of the two approaches provide greater benefits for data reporting and data record-keeping? Please elaborate on the reasons for your response.

Our preference is for Approach B, but we propose some changes are made to this option. Approach B allows for previously reported events to be corrected without the need to re-report any subsequent events in order (as would otherwise be the case under Approach A), thereby reducing the amount of reporting required of market participants. However, we disagree with the need for TRs to update historical TSRs for every day from the reported event date until when the next submission is / was received. This requirement would take a significant amount of time for TRs to process and be a costly process to manage, particularly given historical daily TSRs may need to be updated going back for up to a ten year period. The most recent TSR would be expected to be used by market participants to perform their checks and reconciliations, with no perceivable benefit from regenerating historical TSRs, and it will still be possible to identify when historical corrections have been reported via the Trade Activity Report. Therefore, our proposal is for Approach B, but to remove the requirement for TRs to update historical TSRs as this will be a timely and costly process with limited benefit.

• In case Approach B is followed, should the TRs update the TSR when counterparties have reported lately the details of derivatives? If so, do you agree with the time limit ten years for such an update? Please elaborate on the reasons for your response.

As per our response to question 83, we do not believe TRs should update historical TSR. This would be both a time consuming and costly process that market participants are unlikely to gain much benefit from, with any historical corrections identifiable via the Trade Activity Reports.
• Are there any fields that should be taken into account in a special way not allow change in values?

• Is the guidance on treatment of action type “Revive” clear? What additional aspects should be considered? Please detail the reason for our answer.

TRs need to perform validations on whether a Revive action type can be accepted based on a combination of checks on the “Event date”, “Expiration date” and/or “Early termination date”. To assist with the preparation for supporting the requirements for reporting Revive action type, we request further information on the error codes that can be returned.

• Should the TR remove after 30 calendar days the other side of a derivative for which only one counterparty has reported “Error” and no action type “Revive”? Please detail the reasons for your answer.

If only one counterparty to a trade submits an Error message, TRs should not remove the trade from the TSR for the other counterparty. To remove a trade from a TSR when the counterparty has not reported an Error is misleading and will make it more challenging for that party to identify any breaks with their counterparty, i.e. it will not be obvious that the counterparty they are facing no longer sees the trade as active. Furthermore, when only one counterparty submits an Error message, the other counterparty should be permitted to successfully submit reports for that trade as they still see it as an active position.

As previously stated in our answer to question 21, we disagree that a 30 day limit should be imposed on Reviving trades. A UTI should be consistent for the life of a trade even if the trade has been moved to an inactive status in error.

• Which alternative relating to the provision of the notional schedules and other payments data would be more beneficial? Which of the two alternatives has higher costs? Please detail the reasons for your answer.

Alternative B will provide full visibility of schedules, but this will result in the TSRs becoming overly complex with each schedule being captured. The additional multiple data items will increase the risk of missing key reconciliation breaks.

Alternative A requires a change to how TRs update TSRs in order to reflect the changes in a schedule, but the resulting TSRs will be cleaner and easier to manage, which should mean a more robust and reliable reconciliation process.

Therefore, our preference is Alternative A, although we note this does require a change to TR processes for generating TSRs.

• Do you agree with the described process of update of the TSR? What other aspects should be taken into account? Please elaborate on the reasons for your answer.
We are in agreement with most of the process described in the consultation, but believe the third step in the waterfall logic as described in paragraph 565 should be changed. This step – item (c) – makes the other counterparty/ies liable to exit the submissions of their clients if the client ceases to exist. It is our view that it should not be the responsibility of counterparties to exit their clients trades and they should not be held liable to do so. Furthermore, it is unclear whether from a practical perspective counterparties will be able to exit the trades as they may not have permission to report on behalf of their clients. Therefore, we propose that item (c) in the waterfall logic should simply read “if the second step is not applicable, the TR should contact the other counterparty/ies to the outstanding derivatives” with the remaining text in that section removed.

- Should only the Field 1.14 be used for determining the eligibility of derivative for reconciliation? Please detail the reasons for your response.

Under current EMIR reporting, the reporting obligation of a counterparty would be determined by looking up the LEI in GLEIF and identifying the country of domicile. We are concerned that a counterparty could populate field 1.14 with “FALSE”, but the TR identifies via GLEIF that the counterparty 2 LEI has a county of domicile that would put them in scope for reporting. In such cases, it would be unclear whether to reconcile the trade or not, and whether the counterparties or the TR are responsible to identifying and resolve the conflicting information. Therefore, we propose that it is more reliable to refer to the country of domicile in GLEIF for determining the eligibility of a derivative for reconciliation.

- Is there any additional aspect that should be clarified with regards to the derivatives subject to reconciliation? Please detail the reasons for your response.

From reconciliation perspective do you agree with the proposed differentiated approach for the latest state of derivatives subject to reconciliation depending on the level at which they are reported? What are the costs of having such a differentiation? Should the timeline for reconciliation of derivatives at trade level be aligned with the one for positions? Please detail the reasons for your response.

Out preference is for the trade position-level and trade-level reconciliations to be aligned, with trade-level reconciliations to match the proposal for position-level, i.e. reconciliation is performed on T+2. Reconciling trade-level reporting on T+2 will eliminate reconciliation breaks which are only due to one counterparty reporting on T and the other counterparty reporting on T+1. Therefore, aligning the trade-level and position-level reconciliations will lead to a cleaner and more reliable reconciliation process.

- From data use perspective, should the information in the TSR and in the reconciliation report be different? Please detail the reasons for your response.

TYPE YOUR TEXT HERE
• Which alternative do you prefer? What are the costs for your organisation of each alternative?
   Please elaborate on the reasons for your response.

<ESMA_QUESTION_REPO_94>
We do not believe that valuation amounts should be a reconcilable value. There are several legitimate reasons why the valuation amounts reported by the two parties to an OTC derivative contract may not match including: (i) the time at which counterparties run their valuation calculations for the day (as the valuation of a contract will vary throughout the day), (ii) counterparties may use a different currency to calculate the valuation (which will result in a different amount being reported, even if the amounts are converted to the same currency), and (iii) the complexity of OTC derivative contracts themselves means two counterparties will almost inevitably have some variations in how they value the same contract.

To illustrate these points, a vanilla OTC interest rate derivative is more likely to result in a similar valuation amount being reported, but there is nevertheless a significant likelihood of differing amounts being calculated due to the first two points made above. The probability of the counterparties reporting the same valuation amount decreases the more exotic the products are.

The IFRS Foundation Education Initiative published educational material on fair value measurement in 2013. Paragraph 12 on the process of performing fair value measurements states that “…a financial reporting measurement will involve uncertainty about the timing and/or amount of the future cash flows and other factors.” Paragraph 18 on the approaches to valuation suggests that “IFRS 13 does not contain a hierarchy of valuation techniques nor does it prescribe the use of a specific valuation technique for meeting the objective of a fair value measurement.” Both highlight that there would be challenges in reconciling the valuation amount field as there may be differences in how it is valued.

It should also be considered that the valuation amount is an output of the contract rather than a contractual term and is therefore not a value the two counterparties would necessarily be expected to calculate to the same amount. This approach for calculating valuation amounts for OTC derivatives by market participants is systemic and is not an error of the calculated valuation amounts themselves. Therefore, when the field Valuation Amount has a reconciliation break, it will most likely be due to causes that can be easily explained and where both parties to the trade can give a valid argument that they are reporting an accurate amount.

In addition, the EMIR portfolio reconciliation and dispute resolution risk mitigation techniques provide transparency and visibility of the disputes relating to an amount or value higher than EUR15 million and outstanding for at least 15 business days. As an alternative to field reconciliation, these thresholds could be revised accordingly to identify where valuation amounts significantly differ.

We note that a reconciliation tolerance level of ‘up to second digit after decimal’ is proposed, but we believe that when the two counterparties to a trade report their valuation amounts, the differences in the calculations will fall outside of this tolerance level in the majority of cases.

For these reasons, we believe that performing reconciliation checks on the Valuation Amount field would provide limited additional transparency to competent authorities and would likely result in a significant number of reconciliation breaks. This will have a negative impact on the operational resilience of market participants and increase operational risk whereby it may take longer to identify more significant breaks (such as breaks to fundamental trade economics).

Our preference is that this field should not be reconciled at all, but as an alternative we suggest that ESMA use the two year delay to the reconciliation start date of Valuation Amount to assess how this field is populated by counterparties to (i) help identify whether the field should be reconciled and (ii) if it is reconciled, establish a tolerance level would take into account the natural differences between the valuation amounts each party to a trade will report.

<ESMA_QUESTION_REPO_94>

4 http://archive.ifrs.org/Use-around-the-world/Education/FVM/Pages/FVM.aspx
• Which alternative do you prefer? What are the costs for your organisation of each alternative? Please elaborate on the reasons for your response.

<ESMA_QUESTION_REPO_95>
The current reporting process relies on counterparties to agree on the ordering of legs, but often there are reconciliation breaks where the parties apply different logic to the leg ordering. It is unlikely this situation will change without any intervention and therefore our preference is for Alternative B.
If TRs match the legs based on the buyer and seller, the order in which counterparties report the legs will no longer impact the matching of trades and the number of reconciliation breaks will be reduced.

<ESMA_QUESTION_REPO_95>

• Do you agree with the proposed approach for reconciliation of notional schedules? Please elaborate on the reasons for your response.

<ESMA_QUESTION_REPO_96>
We agree that it is logical to align the reconciliation of notional schedules and other payments as they are presented within the TSR.

<ESMA_QUESTION_REPO_96>

• Do you agree with the proposed approach for reconciliation of venues and the clarification in case of SIs? Please elaborate on the reasons for your response.

<ESMA_QUESTION_REPO_97>
We agree that the Venue of Execution MIC should not be reconciled when the counterparties to a trade are both SIs.
However, we are unclear how TRs are to identify when a counterparty is an SI. We request clarification of how TRs identify when a counterparty is an SI so Venue of Execution can be omitted from the reconciliation.

<ESMA_QUESTION_REPO_97>

• What other aspects need to be considered with regards to the aforementioned approach to rejection feedback? Please detail the reasons for your response.

<ESMA_QUESTION_REPO_98>
Paragraph 604 states that the end-of-day rejection reports should be provided in ISO 20022 XML message. This same requirement to use the ISO 20022 XML format applies to all reports TRs are to provide. We understand that the XML schema is mandatory for the TR reports, but this should not prevent TRs providing reports in other formats, e.g. in CSV format. Not all counterparties will report their trades to a TR, for example smaller entities may have a delegate reporting agreement in place. Therefore, it would be costly and challenging for counterparties – particularly smaller counterparties – to put in place the necessary systems and processes to consume reports that only use the XML schema.
We believe that TRs should be permitted to produce reports in non-XML formats, and these would be in addition to the ISO 20022 XML format.

To assist with the adherence to the validation requirements, especially when updates are made to the validation rules, we ask that such updates are clearly publicised so all market participants are aware of the reporting changes that need to be implemented. For example, updates to validation rules could be communicated via announcements in a similar way updates to Q&A documents are publicised.

<ESMA_QUESTION_REPO_98>

• Do you agree with the approach outlined above with regards to the missing valuations report? Are there any other aspects that need to be considered? Please detail the reasons for your response.

<ESMA_QUESTION_REPO_99>
TYPE YOUR TEXT HERE
Do you agree with the approach outlined above with regards to the missing margin information report? Are there any other aspects that need to be considered? Please detail the reasons for your response.

Paragraph 615(a) states the missing margin report will include any derivative for which “UTI margin report was never reported with action type ‘NEWT’”. However, paragraph 103 of the guidance states all margin reports are to use action type ‘MARU’, including the initial submission. We request clarification on what action type is to be used when reporting margin data for the first time.

Paragraph 615 identifies that the missing margin reports will capture margin that has never been reported (‘missing’ margin) and margin that has not been reported for at least fourteen days (‘stale’ margin). The margin reports should identify whether the data being captured is due to ‘stale’ or ‘missing’ margin as this will provide additional transparency and assist with the resolution.

The guidance does not clarify whether the missing margin reports will present the data at a Portfolio ID level (i.e. one item on the report per Portfolio ID, which will cover multiple trades), or at a trade / UTI level (i.e. each UTI covered by a Portfolio ID will be shown). We request the option for the margin reports to present the data at both Portfolio ID level and UTI level if required.

We assume that uncollateralised trades will not be included on the missing margin reports, but this is not specified in the guidance. For the avoidance of doubt, please verify that uncollateralised trades are out of scope for the missing margin report.

Do you agree with the approach outlined above with regards to the detection of abnormal values and the corresponding end-of-day report? Are there any other aspects that need to be considered? Please detail the reasons for your response.

Paragraph 620 advises that TRs will set their own outlier detection method and inform ESMA accordingly, with paragraph 621 stating this will avoid inconsistent thresholds being set. However, we strongly believe the best way to ensure thresholds are consistent is for the levels to be set by ESMA.

We propose that in order to achieve sufficient granularity for the thresholds (for example, considering the type of product, the currencies of a trade, the type of client), and to avoid threshold levels returning multiple false-positive results, ESMA work with TRs and the industry to define the outlier detection method and the thresholds to apply. The results can then be endorsed by ESMA. Furthermore, we recommend that this work is carried out after the new reporting requirements have come into force so that market participants and ESMA have an opportunity to become familiar with the new rules and review the data being reported. This will allow for more informed decisions to be made and result in more effective and realistic detection methodology and threshold levels.

Is there any additional aspect related to the provision of reconciliation feedback by TRs that should be clarified? Please detail the reasons for your response.

We assume item number 5 within Table 90 should read ‘Reporting timestamp’ and not ‘Reporting type’.
• Is there any additional aspect related to the rejection of reports with action type “Revive” by TRs that should be clarified? Please detail the reasons for your response.

<ESMA_QUESTION_REPO_103>
The proposal that TRs should reject a Revive action type if the trade was submitted as an Error more than thirty calendar days previously. However, as we previously identified in the response to question 21, we do not believe there should be a 30 day limit to reviving a contract as this goes against the purpose of a UTI and unnecessarily introduces complexities to the reporting process. Therefore, we object to the thirty day period being implemented in the first place.
<ESMA_QUESTION_REPO_103>

• Regarding the requirements in the RTS on registration, as amended, and the RTS on data access, as amended, do you need any further specifications and/or clarification?

<ESMA_QUESTION_REPO_104>
If a counterparty uses a third party to report their transactions, but the counterparty submits its valuation reporting itself, under the current process the counterparty cannot see the valuation data on the TSR. It should be possible for all the reporting information to be amalgamated on the TSR so the parties have all the information available.
<ESMA_QUESTION_REPO_104>

• Are there any specific aspects related to the access to data based on UPI that need to be clarified? Please detail which ones.

<ESMA_QUESTION_REPO_105>
<ESMA_QUESTION_REPO_105>

• What access rights would you like to be clarified and/or which access scenarios examples would you consider to be inserted in the guidelines? Please list them all, if appropriate.

<ESMA_QUESTION_REPO_106>
<ESMA_QUESTION_REPO_106>

• Are there any aspects, or procedures you would like to be clarified? If yes, please describe in detail.

<ESMA_QUESTION_REPO_107>
<ESMA_QUESTION_REPO_107>

• Is there any other information that should be provided by the entity listed in Article 81(3) EMIR to facilitate the swift and timely establishment of access to data?

<ESMA_QUESTION_REPO_108>
<ESMA_QUESTION_REPO_108>