

## Client Information

On the derivative trade reporting obligation  
stated in EMIR X.

28 September 2015

## DEAR CLIENTS,

This is an update related to the obligation under EMIR to report derivative trades to Trade Repositories (hereinafter: TR) and the changes to the Trade Reporting Service of KELER. The changes herein described include the amendments introduced by the new validation rules (LEVEL II. Validation) finalized by ESMA. The new rules enter into force on 2 November 2015, as of this date trade repositories will accept only the messages that meet the following rules.

The Validation table includes LEVEL II. rules in detail and is available on the ESMA site at: <http://www.esma.europa.eu/page/Trade-reporting>

## NEW „VALIDATION” RULES

### Use of Legal Entity Identifier (LEI)

In line with the ESMA Q&A, legal persons can be identified with the LEI. The Client Code (COD) can be used for natural persons only. However, trade repositories will not check the correct use of these identifiers, thus the COD can be used to identify legal persons also, although this is not in line with the requirements.

It is important that from 2 November 2015 trade repositories will accept only those reports that meet the following conditions:

- in the **Party ID; Reporting Entity ID** fields only the following statuses can be given for the LEI: „issued”, „pending transfer” or „pending archival”.
- in the **Counterparty ID; Broker ID; Clearing member ID; Beneficiary ID; CCP ID** fields only the following statuses can be given for the LEI: „issued”, „lapsed”, „pending transfer” or „pending archival”.

Trade repositories will use the database available on the [www.p-lei.org](http://www.p-lei.org) website to check LEI.

### Time format change

Under the current practice, it is possible to state time values in the following fields in two formats.

Based on the new rules in the **Reporting timestamp; Valuation time; Execution timestamp; Confirmation timestamp; Clearing timestamp; Delivery start date and time; Delivery end date and time** fields only the following format is acceptable: **YYYY-MM-DDThh:mm:ssZ**.

In order to assist our clients, KELER will automatically correct the time values submitted in incorrect format, i.e. after all time values, where necessary, letter Z will be inserted automatically.

Earlier the following format was also accepted: YYYY-MM-DDTHH:MM:SS+-HH:MM, however, as of 2 November, trade repositories will reject the reports that include this format.

### Changes related to mandatory fields

There have been mandatory fields in trade reports. These mainly identified counterparties and the basic data related to trades were mandatory to be given. In addition to the mandatory fields so far, LEVEL II. states new mandatory fields related to the reporting of certain trade types.

The new rules are summarized as follows

#### 1 Reporting commodity trades

The new validation rules change the reporting of commodity trades also. In certain cases (Commodity details field includes „NG” or „EL”) several fields are mandatory as follows:

If the value stated in the „Commodity details” fields is „NG” or „EL”, then:

- *Load Type;*
- *Delivery start date and time;*
- *Delivery end date and time;*
- *Contract capacity;*
- *Quantity Unit;*
- *Price/time interval quantities* fields are mandatory to be completed.

#### 2 Reporting option trades

In option trade reports („Product ID 2” field value is „OP”) the mandatory fields are as follows:

- *Option type;*
- *Option style;*
- *Strike price* fields are mandatory to be completed.

#### 3 Counterparty identifier

The COD can also be stated in the Party ID field. In this case the following fields are also mandatory to be completed:

- *Name of the party;*
- *Domicile of the party;*
- *Corporate sector of the party;*
- *Financial/non/financial nature of the party.*

#### 4 Special characters that can be used in the Unique Trade Identifier

The length of the Unique Trade Identifier (UTI) did not change, it continues to have a length of 52 characters. However, in addition to numbers and letters, only the following special characters can be used: colon „:”, period „.”, dash „-” and underbar „\_”.

In the future space cannot be used in the UTI.

#### 5 Completing the Taxonomy used field

The „Taxonomy used” field can have the following values only: „I” (in the case of ISIN) or „E” (Interim taxonomy).

The above values are to be stated as follows:

- If the MIC code of an exchange (regulated market) or value „XOFF” is stated in the „Venue of execution” field, the „Taxonomy used” field value can only be „I”. In this case „Product ID 1” field value can be ISIN or All code.
- If the MIC code of an MTF market is stated in the „Venue of execution” field, the „Taxonomy used” field value can be „I” or „E” also.  
In this case the in the Product ID 1 field either ISIN or the product exchange code can be stated.
- If the MIC code of a non-EEA trading platform or value „XXXX” is stated in the field „Venue of execution”, the „Taxonomy used” field value can only be „E”.

#### 6 Completing the Product ID 2 field

If value „I” is stated in the „Taxonomy used” field, only CFI code can be stated in this field (based on ISO 10962 rules)

#### 7 Completing the Underlying field

If „I” is stated in „Taxonomy used” field and „Product ID 1” field includes „CO” or „CU” or „IR”, then this field can be left blank.

#### 8 Reporting interest derivatives

If the „Product ID 1” field includes „IR”, then one of the following fields is mandatory to be completed:

- Fixed rate of leg 1;
- ,Fixed rate of leg 2;
- Floating rate of leg1;
- Floating rate of leg 2.

If any of the above fields is completed, then the related fields on frequency are also mandatory.

Example: if the „Fixed rate of leg 1” field is completed, then the „Fixed rate day count” and the „Fixed leg Payment Frequency” fields are mandatory also.

#### 9 Reporting FX trades

If the „Product ID 1” field contains „CU”, then the „Exchange rate basis” and the „Currency 2” fields are also mandatory. (if „Currency 2” is not applicable to the trade, then „XXX” is to be entered).

In FX trade reports one of the fields „Exchange rate” or „Forward exchange rate” is mandatory to be completed.

#### 10 Use of the Interim Trade ID field

After the new validation rules enter into force (2 November 2015), **it will not be possible to state the Interim Trade ID in new trade reports**, i.e. from this date only the Trade ID can be used to report trades.

In the case of trades that exist on the above date, the Interim Trade ID field can be modified to Trade ID by sending the appropriate Modification message. This is of great importance as from 2 November any other message, such as Valuation or Collateral Update messages, can be sent only for the trades that include Trade ID.

In line with EMIR, counterparties are expected to agree on a common identifier that both sides report as Trade identifier.

#### Use of the ID Modification message

A new message type was introduced (earlier) to modify the Party ID and / or Counterparty ID in trades that were reported with one COD.

The new message type was created as at the start of the reporting obligation not all market participants had LEI, therefore they were identified with COD.

If in the meantime these participants obtained their LEI, the ID Modification message can be sent to give the LEI for the trades that were reported earlier with the COD.

Unfortunately, the Trade ID field is mandatory to be stated in the ID Modification messages, it means that the LEI modification needs to be given for each trade separately and it is not possible to modify the identifier stated in all earlier trades of the principal/client with one single message.

### Changes in the „Modification” message

The following two changes will take place related to the Modification message on 2 November:

- a) The „modification date” field will be introduced as a new field.
- b) The value of the „Action Type” field can be „V” in addition to the values „O” and „M” so far.

#### a) Introduction of the Modification date field

Related to the new field KALER ensures that the date stated in the „creation timestamp” field is automatically entered into this new field, thus the message is forwarded in line with the requirements of the trade repository. Thus there are no steps that clients reporting through KALER need to take related to the new field.

#### b) New value in the „Action type” field

Based on the new validation rules, so far value „M” was stated in the last field of the „Modification” message if it was to modify an earlier reported trade or value „O” was stated if there were other reasons for the modification. In the future, based on the new expectations, if the following fields are completed:

- „Collateralisation”;
- „Collateral Portfolio”;
- Collateral Portfolio Code”,

then „V” is to be entered in the „Action Type” field.

### Use of the Trade Cancellation message

The current practice is that if a trade is cancelled with a Trade Cancellation message (after reporting with wrong data), after the correction of errors, the trade can be submitted again without Trade ID modification.

Under LEVEL II. rules this will not be possible in the future: if an erroneously reported trade is cancelled with a Trade Cancellation message, the UTI reported in the original trade can be used again only if the data stated in the Party ID or Counterparty ID fields are changed also.

If the identifiers stated in these fields are identical to the identifiers stated in the original trade cancelled with the Trade Cancellation message, then the Trade ID used in these trades cannot be used again, i.e. a new Trade ID must be stated in such cases.

In summary, if a trade is cancelled with Trade Cancellation message, the UTI in the cancelled trade can be used again only if the Party ID or Counterparty ID fields are changed also, otherwise a new UTI must be stated.

The table below illustrates the changes:

**Eddigi gyakorlat alapján**

Action Type	UTI	Party ID	Counterparty ID	Response
New Trade	123	A	B	Accepted
New Trade	123	A	C	Rejected
Cancellation	123	A	B	Accepted
New Trade	123	A	B	Accepted
New Trade	456	A	B	Accepted
Cancellation	456	A	B	Accepted
New Trade	456	B	A	Accepted

**LEVEL II. után**

Action Type	UTI	Party ID	Counterparty ID	Response
New Trade	123	A	B	Accepted
Cancellation	123	A	B	Accepted
New Trade	123	A	B	Rejected
New Trade	123	A	C	Accepted
Cancellation	123	A	C	Accepted
New Trade	123	A	B	Rejected
New Trade	123	A	C	Rejected
New Trade	123	B	C	Accepted

Please contact the following KELER Group colleagues if you have any questions related to the above.

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