



keler

**Client Information -  
Modifications to EMIR trade  
reporting 2017**



October 2017



## Dear Client,

Present information sheet is to provide you with the upcoming changes and updates to KELER's EMIR trade reporting service.

In January 2017, the European Commission issued a new set of rules under "RTS 2017/104" and "ITS 2017/105" supplementary to the European Market Infrastructure Regulation, i.e. EMIR. The new rules are supposed to provide further guidance on the already existing practices of EMIR trade reporting. **As of 1 November 2017, all EMIR reports shall comply with the new guidelines:** trade repositories shall be in a position to accept only fully compliant reports.

The changes are incorporating both format and content requirements. In order to support a smooth transition to the application of the new validation rules to your EMIR reports, please find below the details of the upcoming updates and new features.

## I. Further specification of report population rules

### I.1. TRADE VALUATION

When valuating ("fair value") trades cleared by central counterparties (in case of stock exchange trades), the clearing price determined by the central counterparty has to be indicated. If the trade is not cleared by a central counterparty (mainly OTC trades), fair value is to be determined in line with IFRS 13.

**The reports automatically generated and issued by KELER CCP already state the clearing price as in the trade value field; thus they already comply with this feature.**

### I.2. Specification of notional amount

In the current practice, the basis on which central counterparties determine the notional value of the trade has not been standardized.

The rules are designed to standardize this across counterparties - thus, the notional amount:

- is the reference amount from which contractual payments are determined in derivatives markets in the case of swaps, futures and forwards traded in monetary units,;
- is calculated using the strike price in the case of options;
- in the case of financial contracts for difference and derivative contracts relating to commodities designated in units, the resulting amount of the quantity at the relevant price set in the contract;
- in the case of derivative contracts where the notional amount is calculated using the price of the underlying asset and such price is only available at the time of settlement, the end of day price of the underlying asset at the date of conclusion of the contract.

The notional amount is determined at the time the trade is concluded.

### I.3. Reporting centrally cleared trades

Trades cleared subsequently by central counterparties are to be reported repeatedly as "cleared trade". The earlier reported original trade is to be assigned expired status (with termination message).

If a trade concluded at a trade venue is cleared on the same day (through the central counterparty), only the trades arising from the clearing are to be reported.

#### 1.4. Reporting complex trades

The data required related to trade reporting are to be provided in one report. However, in certain cases there are not enough fields to meet this requirement - for example when a derivative trade is the combination of derivative trades.

The new rules allow the sending of so-called complex report, when a complex trade is stated in several reports. In these cases, the newly introduced „Complex trade component ID” field is required to be filled, this field indicates that a trade stated in two/three separate reports forms part of the same single trade.

The counterparties are required to agree before trade reporting if they wish to report the trade concerned in several reports.

#### 1.5. Generation of Unique Trade ID (UTI)

If agreeing on which counterparty generates the Unique Trade ID (UTI) presents a challenge for the counterparties, the following rules will help agreeing on the generation of the UTI:

- for centrally cleared trades, the code generated by the central counterparty is to be used;
- for centrally executed but not centrally cleared trades, the trade generated by the trade venue is to be used;
- in other cases the “higher” level counterparty (FC, NFC+, NFC-) or at the same level the seller is required to generate the UTI.

The party generating the unique trade ID is required to communicate the UTI to the other party to the trade in due course.

#### 1.6. Identification of Buyer/Seller

With respect to trade reporting, it is of importance that both counterparties state consistently which party was the buyer and the seller in the trade.

ESMA finalized the following rules to ensure this information is available:

- In the case of options and swaptions, the counterparty that holds the right to exercise the option is identified as the Buyer and the counterparty that sells the option is identified as the Seller.
- In the case of futures and forwards other than futures and forwards relating to currencies, the counterparty buying the instrument is identified as the Buyer and the counterparty selling the instrument is identified as the Seller.
- In the case of swaps related to securities, the counterparty that bears the risk of price movement of the underlining security and receives the security amount is identified as the Buyer and the counterparty that pays the security amount is identified as the Seller.
- In the case of swaps related to interest rates or inflation indices, the counterparty paying the fixed rate is identified as the Seller; the Buyer is receiving the fixed rate. In the case of basis swaps, the counterparty that pays the spread is identified as the Buyer and the counterparty that receives the spread is identified as the Seller.
- In the case of cross-currency swaps and swaps and forwards related to currencies, the counterparty receiving the currency which appears first when sorted alphabetically by ISO 4217 is identified as the Buyer. The counterparty delivering this currency is the Seller.
- In the case of swaps related to dividends, the counterparty receiving the equivalent actual dividend payments is identified as the buyer and the counterparty paying the dividend and receiving the fixed rate is identified as the seller.

- In the case of derivative instruments for the transfer of credit risk, the counterparty buying the protection is identified as the buyer and the counterparty selling the protection is identified as the seller.
- In the case of derivative contracts relating to commodities, the counterparty that receives the commodity specified in the report is identified as the buyer and the counterparty that delivers the commodity is identified as the seller.
- In the case of forward-rate agreements, the counterparty paying the fixed rate is identified as the buyer and the counterparty receiving the fixed rate is identified as the seller.

## II. Field changes

### II.1. Introduction of the „Level” field

The provisions of the EMIR regulation require derivative contracts to be reported, but it is possible to report end of day positions also after the contract is reported.

In the current practice there has been no separate field to state if the report relates to one trade or one position report.

As per current practice stock exchange trades are reported in the „Reported Trade CL” message, then the end of day position report can be submitted first in a „Compression CL” message, indicating that the earlier reported trade is compressed; finally, the end of day position is reported in a „Reported Trade” message. In this message, the „Venue” field had to be left blank and the value of the „Compression” field is „Y”.

If a position report is already submitted (in a „Reported Trade” message), a Modification message is submitted to report changes in the trade data already reported.

The end of day EMIR statements sent by KELER CCP has been prepared accordingly.

Due to the modifications by ESMA, the reporting template is added a new field, the so-called “level” field.

The mandatory “level” field differentiates in the future the transaction (trade level) and the position reports. The earlier method of position reporting (leaving the „Venue” field blank, „Compression” field value „Y”) will no longer be available, and in the future the Venue field in the „Reported Trade” message will be mandatory, and the value of the „Compression” field will be „N” in the case of position report also.

Possible values of the „level” field:

**T = Trade**

**P = Position**

The current practice of OTC trade reporting will not change, such trades are required to be reported in the „Reported Trade” template, and the value of the „Level” field will be „T” (trade).

### II.2. „ACTION TYPE” FIELD CHANGE

The „Action type” field has been a mandatory field in reports. The novelty is that two new values, “R” and “P” can be stated in this field.

- **R = Correction** - correction of erroneously reported values, data;
- **P = Position reporting** - ETD trade reporting and compression in one message.

In the case of „R”, an earlier erroneously reported trade can be modified. The difference between the normal modification message and the correction message is that the former is to report

modifications to a trade correctly reported (e.g. two counterparties modify OTC trade price), while the correction report is the message to actually correct a report, e.g. the price erroneously stated.

Value „P” is to be stated in the above described position reports.

Possible values of the „Action type” field:

Action type	N = New
	M = <u>Modify</u>
	E = <u>Error</u>
	C = <u>Early termination</u>
	R = <u>Correction</u>
	Z = <u>Compression</u>
	V = <u>Valuation update</u>
	P = <u>Position reporting</u>

Due to changes related to the above two fields, the ETD trade reporting process will be as follows:

ETD trade reporting, current process	
Trade (transaction) report	Position report
Reported Trade CL message with Action type "N" + Termination CL with Action type "Z"	Reported Trade message and Action type "N" (Venue field blank + Compression field value "Y")

ETD trade reporting, <b>process in force from 1 November 2017</b>	
Trade (transaction) report	Position report
<b>Option 1</b> Reported Trade CL message with Action type "N" Termination CL message with Action type "Z" and Level field value "T"	<b>Option 1</b> Reported Trade action type "N", Level field value "P"
<b>Option 2</b> Reported Trade CL, Action type "P" and Level field value "T"	<b>Option 2</b> Reported Trade, Action type "N" Level field value "P"

### II.3. USE OF LEI

In line with current requirements, LEI will remain a mandatory element of trade reporting. Contrary to current practice, only LEI can be stated in certain fields, as illustrated in the following table:

ID type Field	Values allowed
Reporting Counterparty ID	Only LEI shall be accepted
Type of ID of the other Counterparty	LEI and CLC (client codes formerly reported as COD)
ID of the other Counterparty	LEI and CLC (client codes formerly reported as COD)
Broker ID	Only LEI shall be accepted
Report submitting entity ID	Only LEI shall be accepted
Clearing member ID	Only LEI shall be accepted
Type of ID of the Beneficiary	LEI and CLC (client codes formerly reported as COD)
Beneficiary ID	LEI and CLC (client codes formerly reported as COD)
CCP	Only LEI shall be accepted

Only „Issued”, „Lapsed”, „Pending transfer” and „Pending archival” status LEI can be accepted in reports. Please refer to <https://www.gleif.org/en/lei/search/> for trade counterparty LEI and LEI statuses.

Please contact our colleagues at [lei@keler.hu](mailto:lei@keler.hu) to apply for LEI.

### III. Summary of data table changes

#### III.1. MODIFICATIONS TO TRADE COUNTERPARTY DATA (CHANGES IN TABLE 1)

##### Introduction of new fields

- Country of the other Counterparty;
- Valuation timestamp (valuation date and time fields consolidated).

##### Deleted fields

- Name of the counterparty (information can be obtained from LEI);
- Domicile of the counterparty - (information can be obtained from LEI);
- Contract with non-EEA counterparty.

##### Modified field values:

- Corporate sector of the reporting counterparty (data of corporate sector reporting counterparty - 21 possible sector codes in the case of non-financial counterparty);
- Nature of the reporting counterparty (data of the reporting counterparty - F, N,C - central counterparty, O - other)
- Collateralization field.

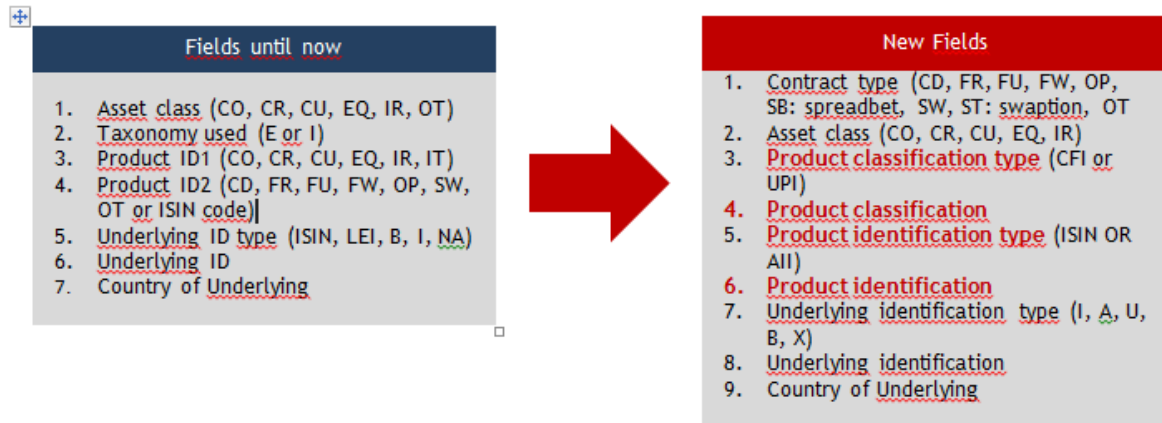
Collaterals will be possible to be stated at portfolio level or by trade, but given/received initial, variation and excess collateral are to be stated separately.

New fields to be completed:

1. Initial margin posted	4. Variation margin posted	8. Excess collateral posted
2. Currency of initial margin posted	5. Currency of variation margin posted	9. Currency of excess collateral posted
3. Initial margin received	6. Variation margin received	10. Excess collateral received
4. Currency of initial margin received	7. Currency of variation margin received,	11. Currency of excess collateral received

### III.2. MODIFICATIONS IN TRADE DATA (CHANGES IN TABLE 2)

The fields to be stated/populated related to trade type changed:



#### New fields in certain trade type reporting:

- **Complex trade component ID:** New unique identifier in addition to UTI, linking complex trades reported in several trade reports. Prior to reporting, the two counterparties are required to agree on the number of reports.
- **New fields related to commodity trades:** Load delivery intervals, Duration, Days of the week.
- **Option trades:** Strike price notation, Maturity date of the underlying.
- **Credit derivatives** related new fields: Seniority, Reference entity, Frequency of payment, The calculation basis, Series, Version, Index factor, Trance, Attachment point, Detachment point.
- **Interest rate derivatives:** Multiplier of fixed rate payment frequency for leg 1 and 2, Multiplier of floating rate payment frequency for leg 1 and 2, Multiplier of floating rate reset frequency for leg 1 and 2, Multiplier of floating rate reference period for leg 1 and 2.

#### Fields to be terminated

- Taxonomy;
- Details of the action type.

#### Renamed fields

- Product ID 1 -> **Asset class**
- Product ID 2 -> **Contract type**
- Underlying ID type -> **Underlying identification type**
- Underlying -> **Underlying identification**
- Notional amount -> **Notional**
- Date of settlement -> **Settlement date**
- Currency 2 -> **Deliverable currency 2**
- Contract capacity -> **Delivery capacity**
- Option style -> **Option exercise style**
- Counterparty ID -> **Reporting Counterparty ID**



- Corporate sector of the Counterparty -> **Corporate sector of the reporting Counterparty**
- Financial or non-financial nature of the counterparty -> **Nature of the reporting counterparty**
- Mark to market value of the contract -> **Value of contract**
- Currency of Mark to market value of the contract -> **Currency of the value**

#### Value changes

- Negative values can be used in the following fields: Value of Contract, Price/Rate, Notional, Up-front payment, Fixed rate of leg 1, Fixed rate of leg 2, Exchange Rate 1, Forward exchange rate, Strike price;
- „Other” category added to the optional value of the Contract type field. However, it can no longer be used in the Asset class field;
- **Interest rate derivatives fields:** extended data content in the following fields: Fixed leg payment frequency 1-2, Floating leg payment frequency 1-2, Floating rate reset frequency 1-2, Floating rate day count 1-2, Floating rate of leg 1-2;
- **Option exercise style** (new value 0: if it cannot be established whether it is a buy or sell option).

#### **IV. Testing changes**

In line with practice to date, KELER offers the opportunity to test changes. As of **1 September**, the interface including the above described changes will be available in the test environment provided by KELER. From this date, the KELER test system accepts only reports compliant with the new rules, format.

Please find attached to this document the WSDL-XSD files and message templates required for the new message communication. Required information can be downloaded from the KELER website also:

[https://www.keler.hu/Szolgáltatások/Piaci%20jelentések%20\(TR\)/EMIR/](https://www.keler.hu/Szolgáltatások/Piaci%20jelentések%20(TR)/EMIR/)

**The test period will also be available after November.**

It is important to note that developments related to EMIR changes will be available in the live system from **30 October 2017** (Monday). Consequently, **the reports submitted after 28 October 2017 are required to be compliant with the new standards.**

#### **V. Reports generated by KELER CCP**

KELER CCP modifies automatically the reports it generates as required by the new validation rules described above (for trades both between KELER CCP and the Clearing Member, and the Clearing Member and its Clients); thus, our Clients will not need to take action related to such reports.

#### **VI. Changes to the fee schedule**

On the grounds of continuous development costs, REGIS-TR, the partner of KELER in meeting EMIR reporting requirements, raised service fees as of August 2017. This fee increase means an increase for the clients of KELER with respect to reporting and maintenance fees only, as these are fees not charged by KELER. Under current practice, KELER invoiced these two fees to its Clients. **It is important to highlight that the monthly membership fee that is charged by KELER at its discretion related to the EMIR service will not change.**

Due to REGIS-TR fee changes, the fees concerned will change as follows:



	<b>Current fee (eur/report)</b>	<b>New fee (eur/report)</b>
Reporting fee	0,02	0,06
Maintenance fee	0,033	0,06

It is highlighted that the calculation method of fees changed also; thus, in the case of the reporting fee, if both trades are stated in one report, contrary to the current practice, the reporting fee is charged twice and not once.

It is noted that despite the increase of the reporting and the maintenance fees, based on the number of trades reported by Hungarian market participants in the past months, the fee increase means an additional cost of about 7-800 thousand Forint for the entire Hungarian market.

The above described fee increase is most relevant for KELER CCP that reports all BSE trades in its own name and in the name of its clients (clearing member).

Furthermore, KELER CCP continues to prepare statements for clearing members that are required to report the trades between the clearing member and its client (these statements can be downloaded in KID). For this activity KELER CCP charged HUF 4 per trade, and, as of September, it is compelled to charge HUF 30 per trade (per UTI) due to the increasing fees.

The fee schedule of REGIS TR is available at:

<http://www.regis-tr.com/regis-tr/key-documents/fee-schedules>

## VII. CONTACT

Should you have any further questions to the above, please contact us:

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