



EUROMONEY
TRADEDATA

The Regulation Data Challenge

The wave of regulatory reform across Europe and USA with punitive fines for non-compliant transaction reporting is challenging the supply of fit for purpose compliance data.

The Common Problem

We all know with regulation is how far it leads or lags market practice, where the common response is that change management is focused on closing the organisational and system gaps to achieve the new compliance. Being compliant can, itself, be a matter of interpretation and in the environment of avoiding material fines, a firm is only as compliant as the last transaction report it submits.

A recent survey at the FIX EMEA 2016 conference revealed that over 70% of respondents believed that regulatory reporting represented a major issue as part of their current book of work.

It is no great surprise that the number one and mandatory budget line item for firms is regulation and compliance, sitting rather uncomfortably above risk management and client acquisition. The recipients of this budget are organisational and system changes and although not high on the agenda to disclose, higher premiums to increase director's and officer's liability insurance against regulatory investigations.

Not content with new legislation, regulators have also re-booted, literally, their focus on monetary and other penalties and have strengthened their surveillance teams with many ex-bank employees who know where the "bodies are buried". The CFTC's whistle-blower programme has also heralded recent results with a new record-breaking \$10 million being awarded to a bank employee. A longstanding frustration for regulators under MiFID I though, is the over reporting by firms unsure about trade eligibility and what products and/or exchanges they need to report, with the default being many firms have reported all trades on a particular trade date, not just those that should be reported for MiFID I. Add to that Italian and French Transaction Tax product eligibility and it is clear to see how reporting remains confusing for many firms and especially the buy side whose non-delegated reporting obligations have come as a bit of a surprise under MiFID II. The challenge for frontier data solutions, however, is getting consensual interpretation in applying the regulators' rule books under all common occurrences, where many such occurrences have not been modelled prior to legislation being passed into law. This initial lack of clarity from regulators has resulted in a number of high profile delays to reporting go live dates.

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Challenges of transaction reporting

Increasing regulatory complexity and the potentially far-reaching financial impacts from well-informed regulation enforcement officers, has produced a critical response from data science. The production of mission ready compliance data requires the combination of the core reference data elements of instrument classification and symbology, re-engineered to meet the taxonomy requirements of regulatory transaction reporting. Fit for purpose data serves more than just its intrinsic correctness, it is the digital lubrication which delivers interoperability between specialist components of modern trading workflows. Imagine an enteric-coated pill working its way through a body to deliver its contents exactly where it is needed, unaltered along the way.

No matter the scale and complexity of trading components, only accurate and well-engineered data can deliver required transaction outcomes.

As a necessity, system interface standards and formats have evolved to carry reference data from functional point a to functional point b, so the industry has already solved its symbology diversity; it is now being challenged to see if cost reductions are available from both data content, system processes and operating personnel changes too, with the immediate focus being on data utility or data management outsource models. Whilst very significant efforts are being made to harmonise security identifiers and produce common symbology standards, by both individual companies and worldwide industry associations, the fact remains that trading ecosystems can actually cope with multiple symbologies. This is good but not unexpected news as the glacial progress towards material consensus is still a way off and the industry is coping pretty well in the meantime; it has to.

Not all Data is created equally

We should remind ourselves that not all data is created equally but it is expected to be uniform in its application.

This is no more evident in the available sources of market security codes, such as ISIN, ISO MIC, CFI and Aii, which are core to regulatory reporting across the core legislations of MiFID I, MiFID II, EMIR I and EMIR II. Most of the codes are from official industry sources of ANNA and Swift but the Aii, being a construct, was and is left to the market to manage and maintain. Also, under ISO 10962:2015 CFI does not have a Registration Authority, which was an initial constraint to effective mandated transaction reporting when EMIR landed, and led to alternative sources being created. The increased focus too on the Financial Instrument Short Name (FISN) under ISO 18774:2015 together with the aforementioned market codes are gathered within ESMA's draft RTS23 defining its mandatory inbound reference data reporting requirements.

More alarming to both institutional associations and commercial curators of market codes, is ESMA's legal right under MiFID II to publish elements of inbound transaction reporting related reference data on its web site, available to everyone. Even the relatively small elements of reference data that will be published free to air have created intensive discussion, not the least the inability to enforce fee liabilities and the prospect of data revenue loss. Remarkably, ESMA denies it will hold the Golden Copy, yet still intends to use this database to assert and fulfil its market surveillance obligations and evidence such forensic data in investigations, potentially leading to material fines. There are, however, some potential benefits to the soul-searching that this melting pot of ESMA's reference data publishing has caused, as firms decide which elements of their data sets have enduring value and which have limited value, resulting in new and innovative business models. The recent and welcome offer from the FCA, the UK regulator, of its "regulatory sandbox" in which firms can test products, services, business models and delivery mechanisms, will provide a blank canvass to test such new approaches.

The outcome

The most likely outcome, however, is one that we already have today: the provision of high quality primary and validating secondary data sources and the timely reconciliation of those sources by the application of modern technology.

Summary of Transaction Reporting Mandates and Symbology

Europe		USA	ROW
MiFID: ETD;OTC MiFID II : ETD;OTC	EMIR: ETD;OTC EMIR II: ETD ;OTC	Dodd-Frank	ISDA Pursuing various OTC clearing and trade repository reporting mandates
MiFID I: Aii, ISIN MiFID II: ISIN	UPI* Aii ISIN CFI EMIR II: Commodity Base & Commodity Details	OTC only: ISDA Taxonomy CTFC Large Trader Position Limits Accountability levels CTFC non-US ETD products available to trade by US persons	

*Unique Product Identifier (remains subject to further discussion and consultation)

Taxonomy of Transaction Reporting Data

Europe	MiFID: ETD & OTC MiFID II : ETD;OTC	MiFID I: Aii, ISIN MiFID II: ISIN
	EMIR: ETD & OTC EMIR II: ETD	UPI, ISIN, Aii, ISO MIC, CFI, Delivery Type, Option Style, Settlement Date & Underlying ISIN Commodity Base & Commodity Details
USA	Dodd-Frank: OTC	ISDA Taxonomy – Unique Trade Identifier (UTI) and Unique Swap Identifier (USI) with Legal Entity Identifier (LEI) construct

Sample Transaction Reporting Data

Europe	MiFID: ETD & OTC MiFID II	XEURBMW OC2014-06-2000000000000005200000 / IT0011158018
	EMIR II: ETD	"Commodity-Base" "Commodity-Details" "Exchange Code" "Contract code" "Contract name" "Option"
USA	Dodd- Frank: OTC	"Commodity" "Metals" "Precious" "Option" "Physical"

About Euromoney TRADEDATA

As a specialist data vendor Euromoney TRADEDATA has supported reference data needs in the derivatives industry for over two decades and is responsible for improved processing efficiencies across multiple trading platforms from the front to the back office. We have innovated new data content and engineered customised data feeds covering exchange, contract and symbology information delivered to the global banks, key software vendors and regulatory authorities.

The wave of regulatory reform across Europe and USA with punitive fines for non-compliant transaction reporting is challenging the supply of fit for purpose compliance data. As the premium provider of global futures and options reference data, Euromoney TRADEDATA is pleased to offer a suite of transaction reporting data that complies with regulatory mandates across both Europe and USA jurisdictions. Fit for purpose, enriched compliance data is available for key ETD and key OTC cleared markets, all delivered into its powerful community data model of quality assurance.



- Adds competitive edge to sell side providers who can win new buy side business by operating a vendor neutral environment
- Delivers trade process improvements and operational efficiency with reduced processing costs
- Enables a highly efficient price retrieval from multiple market data vendors
- Product suite encompasses Global industry, exchange, market data, independent software vendor symbologies across the front-middle-back office enterprise



- Industrial strength reference data that minimises trade failure in post-trade operations
- Global market coverage and detailed information quality assured through a proven data community model
- Innovative data solutions that are customised to clients' unique requirements



- Set up and access reference data instantly with no IT overhead
- Cost effective solution to client service and trade support
- Delivers golden copy data seamlessly across an enterprise



- Enriched machine readable and actionable calendar data feeds
- High visibility and detailed closing trade date reminders
- Contract level electronic trading and non-trading (exchange holidays) session day and time data in exchange local or a specific World time-zone format