



A single solution for transaction reporting in multiple markets

Benefits:

- Reduce risk
- Reduce cost
- Improve operational efficiency
- Rationalise reporting activities

Transaction Reporting

Helping customers to meet regulatory obligations

SWIFT's Transaction Reporting solution enables reporting entities to meet their transaction reporting obligations, including those for MiFID (Markets in Financial Instruments Directive). Transaction Reporting combines standardised messaging with a standard platform, SWIFT's FileAct store and forward service.

Background

MiFID implemented in November 2007 in 27 EU and three EEA states, defines minimum securities transaction reporting requirements for the financial industry in the affected markets.

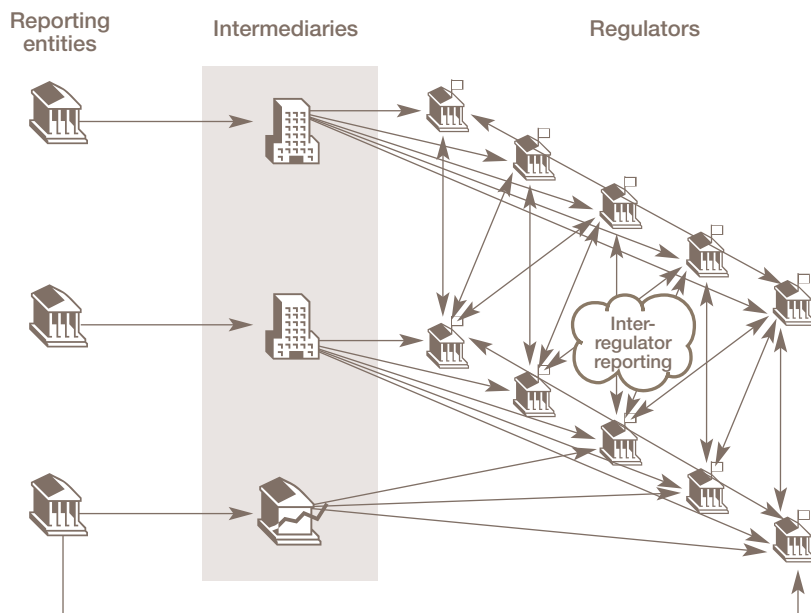
Reports must be delivered securely in electronic media by all investment firms with a reporting obligation by the end of trade day plus one. In around half of the 30 EU/EEA markets, no transaction reporting existed before MiFID, while in others various levels of reporting was taking place, typically via exchanges, other intermediaries or via manual GUIs (graphical user interfaces) provided by the individual market regulator.

To be compliant, changes had to be made to any existing reporting service, as MiFID broadened the scope of transaction reporting to include all securities admitted to trading on an EU/EEA regulated market, as well as defining a minimum data set of 23 fields to be contained in the report.

Regulators also have to share transaction reports that are of interest to more than one regulator.

Challenge

The picture of transaction reporting in the EU and EEA markets post-MiFID is a complicated one, with greater reporting obligations to more regulators than was the case previously. There is no uniform approach from individual market regulators about how they collect these reports, either in terms of message formats or message channels. MiFID also permits individual regulators to request additional data fields and to widen the scope of reporting according to local market practice or requirements.



▲ The markets and main players in the reporting flow

Transaction reporting flows

There can be up to three participants in the process - investment firms (reporting entities) that provide the reports, regulators that receive and analyse the data, and intermediaries that, in some but not all cases, act as report collectors on behalf of regulators.

As the diagram above indicates, there are three clear spaces in terms of messaging:

- between reporting entities and either intermediaries (such as exchanges) or directly to regulators
- between intermediaries and regulators
- inter-regulator report sharing. This is being carried out exclusively on the system developed by the Committee of European Securities Regulators (CESR).

SWIFT and MiFID transaction reporting

MiFID is a key driver in EU securities harmonisation. SWIFT's goal is to help the industry meet the requirements of MiFID and other regulatory obligations, now and in the future, by supporting the market with a range of services.

Addressing the message flow for the transaction reporting aspects of MiFID offers standardisation, in terms of structure and messaging channels, which is undoubtedly of benefit to SWIFT's investment firm customers. This, together with SWIFT's secure file transfer capability as an obvious functional delivery mechanism, provides a compelling argument. SWIFT is giving its customers the opportunity to avoid the operational fragmentation that they might otherwise experience from multiple data standards per market regulator and from multiple reporting channels.

Wider challenge

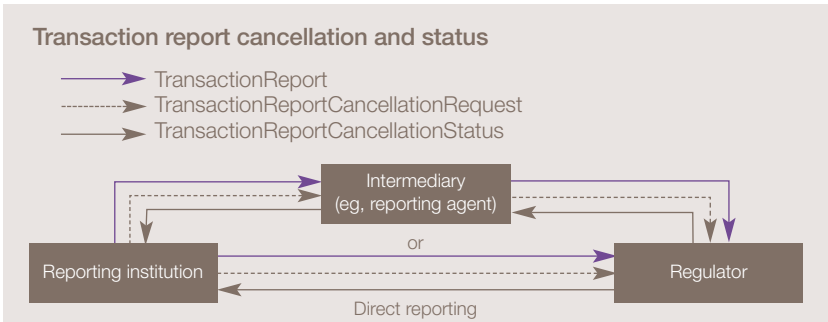
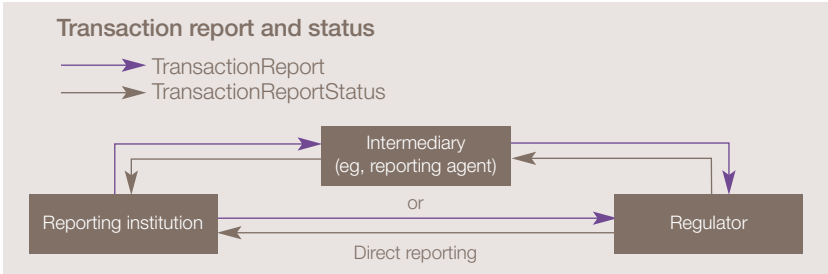
And this is only the first step. Although the solution meets the transaction reporting challenge of MiFID, the service is also focused on helping customers satisfy regulatory reporting requirements in markets worldwide.

SWIFT's Transaction Reporting solution

Transaction Reporting is the solution which enables reporting entities to meet their MiFID and other transaction reporting obligations. SWIFT's Transaction Reporting solution comprises two main elements:

- Data standards
 - Standardised regulatory reporting messages incorporating the mandatory 23 MiFID data fields, plus additional optional fields required by some regulators, have been developed. Extra data elements requested by only one regulator may be handled by optional structured fields. The standards development work for transaction reporting has been carried out using the UNIFI (ISO 20022) methodology, tailored initially to the data requirements of MiFID. At a later stage, an assessment will be made of additional transaction reporting data standards requirements outside the EU and EEA markets.
- Standard platform
 - The suite of four transaction reporting messages has been defined as shown in the diagram below, which illustrates their generic use.
- The service will:
 - encourage operational efficiency by offering interoperability between service users and reporting mechanisms and regulators
 - enable rationalisation through re-use of SWIFT connectivity to satisfy multiple reporting requirements.

The service is represented in the diagram below.



Why SWIFT?

Using SWIFT for transaction reporting will provide certainty for firms in terms of security of delivery as well as consistency of data structuring for their reporting.

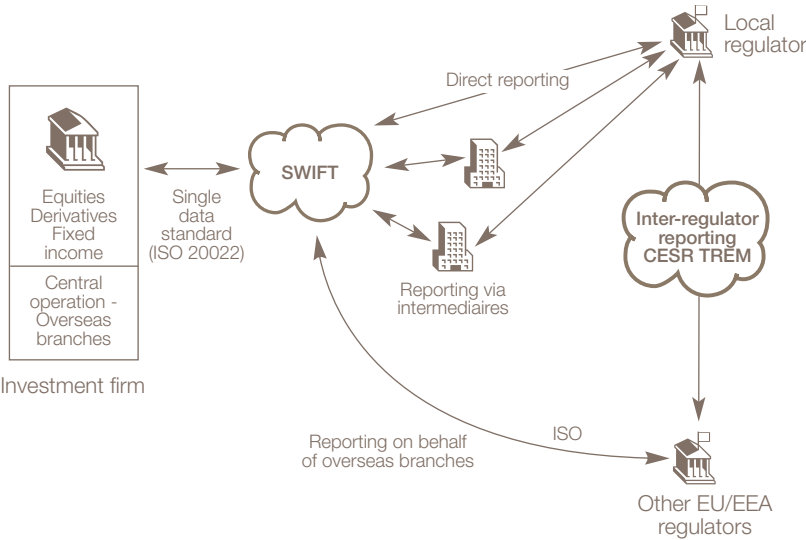
Key benefits for firms are:

- reduced risk from structured data format and security of delivery
- reduced cost from re-use of existing SWIFT connection and non-proprietary data standards.

The firm that operates without SWIFT will find the new regulatory requirements costly to deal with, as it struggles with the inefficiency of non-standard data formats and multiple connectivity mechanisms.

For more information please contact your SWIFT account manager or visit www.swift.com

Transaction reporting messaging suite, using the UNIFI (ISO 20022) methodology



SWIFT's Transaction Reporting Service