

SWIFT's solutions for OTC Derivatives Trade Reporting

Europe focus



Helping firms meet regulatory requirements

Key benefits

- Comply with ESMA's EMIR regulation
- Report OTC derivatives into trade repositories
- Re-use your SWIFT connection to reach multiple repositories

This information paper provides an overview of the services that SWIFT offers to support the industry comply with regulatory reporting obligations, with a focus on Europe and EMIR (European Market Infrastructure Regulation).

Whilst the objective of EMIR is broadly similar to Dodd-Frank in the US, there are several differences that have a material impact on the European market. The scope of the US (Dodd-Frank – CFTC) and European (EMIR – ESMA) legislations covers all OTC derivatives classes, for which financial institutions are required to submit data to approved repositories. In both jurisdictions, the initial trades as well as subsequent mark-to-market valuations must be submitted to the repository.

However two key differences have a significant impact on the reporting solutions that are being developed:

- In the US, only one party has to report the trade, with a hierarchy that, in general, forces the larger counterparty to report. In Europe, both parties to the trade must report, including non-financial counterparties.
- In the US, reporting is required to be intra-day, in many cases, whereas in Europe the requirement is to report by the end of the following day (T+1).

These differences imply that the EMIR reporting regulations will have a much wider impact than Dodd-Frank, whereas in some respects the technical requirements are less onerous.

EMIR reporting regulation for Credit and Rates derivatives will become effective as of Q3 2013 and for FX and other derivatives as of January 2014.

SWIFT Connectivity to the Trade repositories

Several providers have announced their intention to launch a derivatives trade repository for Europe, including the DTCC, REGIS-TR and UnaVista. SWIFT is working with each of these providers to offer seamless connectivity to their respective trade repositories. The repositories have differing data format standards, for example with the DTCC Global Trade Repository (GTR) based on FpML and .csv format, whereas REGIS-TR supports XML and FIN MT3xx standards.

All three repository providers support SWIFTNet FileAct connectivity, for initial trade submission as well as uploading of other data, such as mark-to-market valuations. This provides you with cost-effective access to the repositories, utilizing your existing SWIFT infrastructure and all the reliability, security and resilience offered by SWIFT.

Trade Repository submissions based on FIN confirmations

A feature of the FX market is its extensive use of SWIFT FIN messages (MT3xx) for trade confirmations and the importance of the SWIFT FIN technology. SWIFT has an unrivalled market position in the FX derivatives world, with the MT300, MT305 and MT306 being the market standard for confirming FX Forwards, Swaps, NDFs, Vanilla Options and Exotic Options respectively. Likewise, in the Metals market, the MT6xx messages are used to confirm spot, forward and options.

Those reporting parties that do not wish to invest in creating either additional processes or developing FpML or XML data standards for uploading trades to their chosen repository, can utilise their existing MT3xx and MT6xx confirmation traffic for this purpose.

As part of the SWIFT FIN Standards Release for 2013 (SR2013), the OTC Derivative confirmation messages are being updated to include support for the data fields required as part of the EMIR technical standards. These messages will therefore be well positioned to act as a source for data reporting.

The DTCC Global Trade Repository (GTR) expects to receive data submissions in FpML or .csv format, whereas REGIS-TR's intention is to support receipt of FIN formats directly (as an alternative to XML).

SWIFT therefore has developed different solutions for using FIN messages to feed the repositories.

FIN submission to REGIS-TR Trade repository

REGIS-TR plans to accept submission of FX and Metals derivatives directly in FIN format. This will be by means of SWIFT seamlessly sending a copy to REGIS-TR of the confirmation that is sent to the counterparty.

This utilises a standard SWIFT FIN copy solution, known as FINInform.

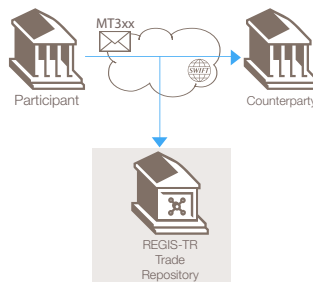


Figure 1 - Submission of a trade to REGIS-TR via SWIFT FIN.

FIN MT to FpML mapping and systems integration for the DTCC GTR

In collaboration with DTCC and Industry experts, SWIFT has developed a mapping table, to convert from MT3xx to FpML format for trade reporting.

For those organisations that plan to use the SWIFT confirmations as the data source for reporting FX derivatives to the FX Trade Repository, these mapping tables can be installed in-house.

The mapping routines are provided by SWIFT and incorporated in integration software within SWIFT Alliance Access, to offer FpML submission to the DTCC in parallel to issuing the MT confirmation to the counterparty.

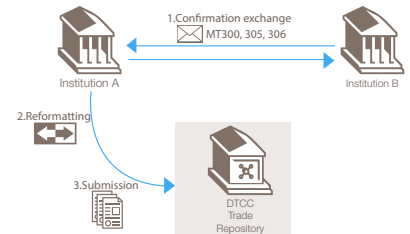


Figure 2 - FIN MT to FpML mapping and systems integration for the DTCC GTR.

Why choose SWIFT?

SWIFT has developed a suite of simple and flexible solutions to support the new OTC derivatives regulations, which are directly relevant to the European market. These include enhanced confirmation standards, trade repository connectivity, re-use of FIN confirmations for trade reporting, as well as re-use of FIN confirmations for NDF clearing.

These services are simple to order and implement, and are designed to greatly reduce the effort required to comply with the new regulations.

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

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