

SSMA response to ESMA Call for Evidence on simplification for transaction reporting

Swedish Securities Markets Association (SSMA) welcomes the opportunity to respond to this call for Evidence on simplification for transaction reporting. SSMA represents 24 Swedish sell-side investment firms i.e. all large banks and brokers.

General comments

SSMA is of the opinion that the result from this consultation should replace any reviews or other planned changes related to the reporting regimes. Pause all ongoing changes in order to avoid unnecessary and uncertain updates before the final solution is decided upon. Any “in between” implementations will only drive unnecessary complexity and costs.

ETDs should be globally harmonised and reporting requirements should be moved from EMIR to Mifir without moving all the EMIR fields into Mifir. Systemic risk is inherently handled by the CCPs.

Q1. Do stakeholders agree with the description of the key challenges outlined above? Is there any other issue linked to multiple regulatory regimes with duplicative or inconsistent requirements that is not reflected in this section? Out of the 10 sources of costs identified in this section and the ones that you may add, what are the three main cost drivers in your view?

SSMA is of the opinion that ESMA should analyse which data is really needed in the different reporting regimes. It should be a clear motive and need for every data element that should be reported. To cut costs, it will be important to reduce the number of fields and reported data compared to what is required today.

Dual-sided reporting is a great burden today. A change to single-sided reporting would relieve resources that could focus on data quality. To really capture all advantages with single-sided reporting clear rules should be introduced to remove potential practical problems that could emerge.

Reporting of instrument data under different reporting regimes drives unnecessary complexity.

SSMA believes the main three cost drivers are

- The overall reporting burden that only increase over time and include too many and different fields in the different reporting regimes.
- Too frequent big regulatory changes focusing on specific products creating reporting silos.
- Reporting overlaps and duplicate reporting drives not just cost but also complexity and burdensome reconciliation and correction processes.

Q2. Do stakeholders agree with the proposed principles and related description? Is there any other aspect/principle that should be considered?

SSMA is of the strong opinion that the scope of required information in the reports should be reduced and limited. All fields that are not explicitly needed from a monitoring perspective should be removed. It must be very clear what all reported elements are needed for and used for. If the scope is unchanged, we believe it will be difficult to save costs and reduce reporting burdens.

Information that can be derived or calculated from other reports or databases should be used. Already existing infrastructures such as instrument and counterparty data should be used more efficiently. In this context we would like to refer to paragraph 244 in ESMA EMIR Refit Guidelines, which states that certain data can be retrieved from FIRDS and UPI reference data rather than being reported under EMIR. Our view is therefore that ESMA should do a review on how these infrastructures can be used. A couple of other examples are GLEIF, which could be used centrally rather than separately. An example of a derived field is net amount that can be derived from data already provided in the reports.

LOUs should collect data every year when LEIs are renewed. This would simplify collection of counterparty data (and on-boarding) and enhance the quality of the data to be used by authorities. GLEIF would need to be enhanced to cover data required per legislation.

SSMA's view is that the result of this consultation should replace any changes emerging from the ongoing Mifir review, Remit and others. All ongoing changes should be paused in order to avoid unnecessary updates before the final solution is decided upon, as any "in between" implementations involve high costs and efforts for the involved parties.

SSMA also believes that corporate actions could be removed from the reporting requirements. This is mainly related to Mifir where unclear rules regarding corporate actions reporting requirements lead to uncertainty and poor reporting quality.

Q3. What are the key advantages of option 1a and how do these benefits address the issues in section 3?

This is the option that SSMA members clearly prefer in the short term. We do not really see that the other options will provide the same positive effects within a reasonable timeframe. SSMA likes the simplicity in this option and agrees with the pros. New supervisory measures should also be offset by fewer reporting errors.

SSMA sees the following Pros:

- Reasonable effort for implementation of changes
- Cost effective
- Reasonable timeline
- Removal of dual-sided reporting

Q4. What are the key limitations and potential risks of option 1a? For example, do you consider the adaptation of the emir template to cover the data points used for market abuse surveillance as meeting the general objective of reducing the reporting burden, and why?

SSMA see the following cons:

- If new fields are to be added to the Mifir/ EMIR reports, an analysis needs to be done to ensure that only fields that are really needed are added.

For SSMA it is important that SFTR reporting is not included in this option and believe that would only add complexity and system risks. Instead, it would be better to review if reporting of SFTs could be removed from Mifir completely. Also see Q10

SSMA does not see that EMIR or Mifir reports need to be enhanced to include more fields to compensate for the elimination of double reporting (ETDs only under Mifir and OTC derivatives only under EMIR). Only Mifir fields that after proper evaluation are deemed to be necessary should be added to EMIR reports for OTC derivatives since we do not see a major risk of limiting market abuse surveillance by not adding new fields. EMIR fields should not be added to Mifir reports since we believe that systemic risk is inherently handled by the CCPs.

It is important to move to single-sided reporting to reduce costs for pairing and matching. All changes will drive costs, but if the long-term advantages outweigh the implementation costs it is worth doing. It is very important that the long-term continuous running costs are reduced to a level that motivates the implementation costs.

SSMA also considers the cons to be overestimated. We do not see a major risk that the possibility to identify market abuse will be limited and therefore do not see the need for extra data in this respect. Considering all the data that the NCAs already have access to, there is a need to analyse how the data can be consolidated for use by the regulators/ authorities. An evaluation and potential adoption of new rules regarding third country entities reporting should be done.

Q5. What components are missing or not adequately addressed in option 1a? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 1a?

SSMA believes that there are unclear definitions in the different legislations. One example is ETDs, for which there is not clear definition. Our view is that all instruments that resemble an ETD should be reported under Mifir scoping EMIR to be a pure OTC reporting mechanism. CCPs should be responsible for reporting trades, valuations and collateral for cleared trades. Our members should only report transactions under Mifir. The same logic should also apply for commodity derivatives.

Certain types of corporate action could be removed from the reporting scope in Mifir. For instance, SSMA does not see clear reasons why corporate actions should be reported. There is usually very limited market information in these events. We, therefore, from a market abuse perspective, see limited risk in removing the obligation to report these corporate action events.

Increase demands on CCPs and Trading Venues. Centrally cleared instruments should be reported by the CCPs or TVs. This could have the positive effect that OTC trading is reduced and thereby limit market systematic risks. Clear rules for third country entities should be adopted to remove reporting uncertainties.

SSMA also in this context want to highlight reporting of errors and omissions, which are of great concern to SSMA members. In the current interpretation it hits very broad and captures both big and small discrepancies, which could not have been the intention in the level 1 legislation. It should only be significant errors that are affected.

Another detailed concern for SSMA members that we want to bring to ESMA's attention is reporting of FX swaps. A review of how FX swaps are reported should be conducted and aligned globally. Today some jurisdictions see an FX swap as two legs where others see them as one instrument. This creates reporting complexity and uncertainty with poor reporting quality as a result. Ideally some of the industry bodies (like ISDA) could be included into these dialogues since they have very detailed knowledge about these issues. In general, more dialogue with the sector would be preferable.

Q6. What are the key advantages of option 1b and how do these benefits address the issues in section 3?

This alternative has no advantages compared with 1a – SSMA clearly prefers 1a. We are of the opinion that there are several substantial problems with option 1b. It will be very complex as it implies increased double-reporting with much more complexity.

Q7. What are the key limitations and potential risks of option 1b?

SSMA does not support this option. See Q6

Q8. What components are missing or not adequately addressed in option 1b? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 1b?

SSMA does not support this option. See Q6

Q9. What are the key advantages of option 2a and how do these benefits address the issues in section 3?

SSMA is of the opinion that option 2a could be a long-term solution at a later stage. In the short term we clearly favour option 1a since that option would mean advantages in a more reasonable time-frame – see Q3. A proper analysis should be done before option 2a is implemented. We suggest including the sector closely into that work. It is important that SFTR is not included in option 2a since it would increase complexity. Including SFTR would also require organisational changes and employees with much broader expertise. Also, all definitions need to be 100% aligned in all three reporting regimes if SFTR is included.

Q10. What are the key limitations and potential risks of option 2a?

SSMA does not see any synergies in including SFTR and believe that this will only add complexity and system risks. Instead, it would be better to remove the SFT exemption, which would remove the exempted SFTs from the reporting requirements in Mifir.

Q11. What components are missing or not adequately addressed in option 2a? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 2a?

If option 2a is adopted at a later stage, clear rules need to be added on which entity should report. See Q9&Q10 for our concern regarding SFTR.

Q12. What are the key advantages of option 2b and how do these benefits address the issues in section 3? What regimes should be included in such an option beyond EMIR, MiFIR and SFTR?

SSMA does not support this option.

Q13. What are the key limitations and potential risks of option 2b?

SSMA does not support this option.

Q14. What components are missing or not adequately addressed in option 2b? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 2b?

SSMA does not support this option.

Q15. Which of the two main options (1. "removal of duplication in current frameworks" or 2. "report once") and related sub-options identified do you believe should be prioritised, and why?

SSMA supports a two-step approach where option 1a is first implemented to get the short-term improvements and then in a later second step evaluate if it is feasible to move into option 2a. A proper evaluation and analysis should be done through industry collaboration before and if a move to option 2a is decided.

Q16. Are there any additional options that should be considered on top of option 1 and 2? For example, do you identify other potential intermediate solutions, combinations of elements from the identified options, or phased approaches? If so, what are their main characteristics, the reasons for considering them, and the key advantages they would bring?

SSMA believes that a thorough analysis should be done to evaluate which reporting fields are relevant. All unnecessary fields or fields that could be derived should be removed from the reporting requirements.

Q17. Should the reporting channels, and flows be modified to ensure consistent reporting, and if so, how? Under which option/s do you consider these changes should be implemented?

SSMA is of the opinion that an evaluation of the whole reporting chain should be conducted with the focus on which participants should and could report different items in the most efficient way. We believe that requirements should be put on CCPs and Trading Venues to report more. This would streamline the reporting and reduce total overall reporting requirements.

To help to further streamline reporting Firms should be made a golden source for instrument data. All trading Venues should have to report this data to Firms. This is required already today but the quality needs to be improved. Giving Firms a higher status would remove the need for enrichment in Mifir. Reporting scope will be well-

defined, and the risk of excessive reporting reduced. Firms should also move towards real-time updates and availability to efficiently serve its purpose.

Q18. In this regard, and based on the current order book requirements for trading venues and the availability of information, what are the advantages and disadvantages of transferring the reporting of on-venue transactions under mifir and emir to trading venues?

SSMA does not see any clear advantages of moving Mifir reporting to Trading Venues if the scope of collected information is not reduced to a necessary level. If this is not possible to do, no costs will be saved. If it is not possible to reduce the information scope, no requirement should be put on Trading venues.

For EMIR reporting, SSMA sees clear advantages if CCPs are required to report cleared trades/ positions, valuations and collateral. This would achieve better reporting quality in general.

Q19. Additionally, what are your views on enhancing ESMA role as data hub by developing a framework where entities would report consistent and harmonised data directly to ESMA? Should this option consider direct reporting to ESMA coupled with EU and national authorities' access to the centrally held data, eliminating multiple submissions?

SSMA see a risk in ESMA's role as a supervisor expanding into developing and maintaining data hubs and trade repositories, if that focus is moved away from the core function of ESMA. Therefore, SSMA sees no advantage in ESMA developing this functionality. It will also be complex and difficult for ESMA to develop this in the short timeframe that is proposed. Another aspect is a risk of loss of functionality from the endpoints i.e. TRs and ARMs which hold validations, dashboards, analytics etc. It would mean increased demands and complexity for ESMA to also build this functionality.

Q20. In the case of centralisation of reporting, please expand on the advantages and disadvantages as well as the implementation challenges and opportunities? Under this scenario, what additional elements should be considered (i.e. Operational aspect, technical implementation, etc.)

SSMA believes it would be an advantage if one of the existing repositories were to be selected as the single repository to report to. If dual-sided reporting will be kept this would mean that there is no need for inter-TR reconciliation i.e. pairing and matching. Also, the industry would not need to handle small discrepancies because of different implementations of validation rules in different repositories. For instance, responses related to ISO 20022 can differ between TRs. If instead, there is a change into single-

sided reporting, there could be a problem in retrieving alleged reports if more than one repository is used as different institutions report to different repositories. This is time consuming and costly for the institutions.

Q21. Do you consider that other technologies (e.g. DLT and Smart Contracts) should be considered as a way to simplify the reporting process?

SSMA is of the opinion that it is not the technology that simplifies the reporting regimes. Our view is that the solution currently in place works quite well and therefore, we see no clear benefit in changing the technology. To change to new technology too early would be both very risky and costly for the industry.

Q22. Where do you think the cost associated with dual sided reporting is generated? What would be the cost impact of removing dual-sided reporting (e.g. Substituting reconciliation requirements with other measures such as audits against internal record systems as required in the U.S. or increase interaction among counterparties and NCAs)? Do you consider that dual sided reporting may reduce the ability of reporting entities to fully control the data submitted to authorities? Do you consider that the reporting should be strictly from one side?

SSMA believes it is good to move from dual-sided to single-sided reporting. Today our members have large costs associated with pairing and matching and delegated reporting. This proposal would eliminate the problems associated with delegated reporting. The number of reports and volumes of reported transactions will also be reduced. This would also mean a harmonisation to global standards, since we are not aware of any jurisdiction that use dual-sided reporting.

Q23. Would you consider the modification of reporting frequency useful under the general objective of reducing the reporting burden, and why? What would be the specific proposals in this regard?

SSMA sees no advantages in changing the frequency of reporting. It would only increase the complexity.

Q24. Proportionality measures: how do you consider proportionality can be taken into account in the context of burden reduction in regulatory reporting? What specific measures would you propose and how would you quantify their impact?

SSMA is of the opinion that only fields and events that are really required according to purpose of the regulation should be mandated per reporting regime. Fields that are not necessary or could be derived from the reported data or retrieved from central sources should not be required in the reports. We therefore urge ESMA to do a general overhaul of which fields and events are really needed to comply with the regulation. For

instance, we are of the opinion that corporate actions under Mifir might not be needed to report since they carry limited market information.

Q25. Question for reporting entities under EMIR: what is the one-off cost of implementing EMIR requirements to date? This cost should include all cost lines, such as familiarisation with obligations, staff recruitment, training, legal advice, consultancy fees, project management and investment/updating in it. Do you identify any other relevant one-off cost line?

Within this timeframe SSMA does not have the possibility to extract this data. We therefore will not provide any specific data in this respect. However, some of our members have contributed to the ISDA cost analysis.

Q26. Question for reporting entities under EMIR: what is your estimated average cost per transaction (on-going cost) to comply with the reporting requirements under EMIR? This cost should include not only the fees associated with reporting through trade repositories (which usually includes data collection and information storage) but also the total cost, including any other cost lines, such as, IT maintenance and support, training, data processing and audit fees. Do you identify any other relevant ongoing cost line?

See q25

Q27. Question for reporting entities under MiFIR: what is the one-off cost of implementing mifir requirements to date? This cost should include all cost lines, such as familiarisation with obligations, staff recruitment, training, legal advice, consultancy fees, project management and investment/updating in it. Do you identify any other relevant one-off cost line?

See q25

Q28. Question for reporting entities under MiFIR: what is your estimated average cost per transaction (on-going cost) to comply with the reporting requirements under MiFIR? This cost should include not only the fees associated with reporting through Approved Reported Mechanisms but also the total cost, including any other cost lines, such as, IT maintenance and support, training, data processing and audit fees. Do you identify any other relevant ongoing cost line?

See q25



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Q29. Question for reporting entities under EMIR or MiFIR: Are there other cost-factors that we should consider when estimating the cost saving over a long term horizon?

See q25

Q30. What are the anticipated investments and transition costs associated with implementing option 1a, 1b, 2a and 2b (e.g. Decommissioning of legacy systems, adapting systems to new changes and future evolving requirements, etc.)? Please provide a detailed breakdown of these costs, including any one-off and ongoing expenses. What is the estimated average cost saving per transaction?

See q25