**Maintenance Change Request**

**for maintenance of Derivatives Trade Reporting messages (MCR 2022)**

1. **Submitting organization(s):**
2. **European Securities and Markets Authority (ESMA)**

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France

1. **Commodities Futures Trading Commission (CFTC)**

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1. **Related messages:**

Maintenance of existing message definitions:

* auth.029.001.01 Derivatives Trade Report Query
* auth.030.001.02 Derivatives Trade Report
* auth.091.001.01 Derivatives Trade Reconciliation Statistical Report
* auth.092.001.02 Derivatives Trade Rejection Statistical Report

New message definitions:

The following new message definitions are proposed by the submitting organizations to complement the current message set:

* **auth.106.001.01 Derivatives Trade Warnings Report** – to allow for reporting on warnings raised in the incoming reports from counterparties that are not subject to rejection.
* **auth.107.001.01 Derivatives Trade State Report** – state component was extracted out of the auth.030 to reduce complexity of the trade activity message and align with modelling approach as proposed in the SFTR messages set (auth.052 and auth.079).
* **auth.108.001.01 Derivatives Trade Margin Data Report** – to provide information on margins data (activity report);
* **auth.109.001.01 Derivatives Trade Margin Data Transaction State Report** – to provide information on margins data (state report)

Purpose of the development of the above is in line with the original Business Justification[[1]](#footnote-2) document as submitted by ESMA in 2016. The new message definitions will facilitate derivative reporting for all market participants and shall bring significant gains in efficiency for processing of such data. It will also provide regulators more flexibility in terms of applying relevant exchange flows under derivative reporting (in compliance with the CDE requirements) and will promote global adoption of the ISO 20022 standard in the securities business area.

Other messages with potential impact (no changes proposed in this MCR):

* auth.090.001.01 Derivatives Trade Position Set Report V01:

1. **Purpose of the change:**

The update of the Derivatives Trade Report (auth.030) has been started already in 2020 with the approval of auth.030.001.02, when the overall structure and modelling logic of the message has been adapted to enable authorities in different jurisdictions to adopt the message for their respective reporting requirements. The message was modified then in order to align with the requirements established in the CDE Technical Guidance[[2]](#footnote-3) and also with the auth.052 message that is used for ESMA required reporting of securities financing transactions to Trade Repositories (TRs). The requested version (V2) of the auth.030 message was registered by ISO in Q1 2021. Additionally, members of the Regulatory Oversight Committee Committee on Derivatives Identifiers and Data Elements (CDIDE), including the CFTC, are looking to adopt the auth.030 and auth.107 messages to meet their respective reporting requirements for OTC derivative transaction reporting.

When that registration process was initiated, the European Securities and Markets Authority (ESMA), the EU’s securities markets regulator, committed to review and update all related messages in the Financial Instruments and Transactions Regulatory Reporting (Trade Repository Reporting) message set during its scheduled work related to the EMIR REFIT changes.

ESMA published on 17 December 2020 a Final Report on technical standards (RTS and ITS) under the EMIR REFIT Regulation [[3]](#footnote-4). The draft technical standards have been submitted to the European Commission, and the proposed timeline for implementation of the technical standards by the reporting counterparties and TRs in the Union is 18 months from the date of their publication in the Official Journal that is now expected for end of Q3 2022.

The key proposals included in the technical standards are:

* **Alignment with international standards** – in particular the global guidance developed by CPMI-IOSCO on the definition, format and usage of key OTC derivatives data elements reported to TRs, including the Unique Transaction Identifier (UTI), the Unique Product Identifier (UPI) and other critical data elements. The introduction of these changes into the EU regulatory framework will foster global data harmonisation and will facilitate compliance for those entities that are subject to derivative reporting requirements in non-EU jurisdiction(s);
* **End-to-end reporting in ISO 20022 XML** – ESMA proposes that XML schemas developed in line with ISO 20022 methodology are used not only for the communication between the TRs and authorities (as is the case now), but also for reporting from TR counterparties, similar to the requirements in place under SFTR. A fully standardised format for reporting will eliminate the risk of discrepancies due to inconsistent data. While end-to-end reporting in ISO 20022 XML is expected to further enhance data quality and consistency, by reducing the need for data cleaning/normalisation and facilitate their exploitation for various supervisory and/or economic analysis;
* **Harmonised data quality requirements across TRs** – another cornerstone of the technical standards relates to the enhanced and harmonised data quality requirements for data validation and data reconciliation processes, that take place at the TRs once derivatives are reported to them;
* **Simplified rules for extension of registration from SFTR to EMIR** – ESMA clarifies the relevant documentation to be provided by TRs willing to extend their registration from SFTR to EMIR in line with the existing requirements for extension from EMIR to SFTR; and
* **Standardised process for data access** – ESMA includes references to standardize the type of information and the timeline for setting up data access for authorities.

ESMA has commenced working on the guidelines on reporting under EMIR REFIT as well as on the technical documentation, including XML schemas and validation rules. ESMA aims to provide the industry with the relevant guidance and documentation sufficiently ahead of the reporting start date to ensure a smooth transition to the reporting under the revised rules.

After the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Commodity Futures Trading Commission’s (“CFTC”) passed several data-related swaps rules, including 17 CFR parts 43, 45, 46 and 49, which mandated swap data recordkeeping and reporting requirements, with the goal of bringing transparency to a previously opaque swaps market. In November 2020, the CFTC published amendments to parts 43, 45, 46 and 49, creating a new requirement that all swap data elements be reported to SDRs in the form and manner provided in a technical specification published by the Commission[[4]](#footnote-5) (“Technical Specification”). Further, a majority of the data elements in the Technical Specification are from the CDE Technical Guidance. Part 45 also stated that comprehensive and unambiguous rules regarding reporting format will ensure the quality and usefulness of the data, and therefore the Commission will mandate ISO 20022 for reporting to SDRs when the standard is developed.

This Maintenance Change Request includes data elements that are required to be reported for the CFTC regulations as per the Technical Specification and are not already present in the version (V2) of the auth.030 message that was registered by ISO in Q1 2021.

This Maintenance Change Request summarises the changes proposed by ESMA and CFTC to the existing ISO 20022 message definitions part of the *Financial Instruments and Transactions Regulatory Reporting (Trade Repository Reporting)* message set. Such changes will ensure full coverage of the underlying regulatory framework, and at the same time better alignment with international standards for derivatives reporting. These would also enable more accurate reusability of the message across different ISO 20022 implementations globally and should limit the potential future changes that would be required by the implementing authorities.

Moreover, this document is proposing new message definitions to complement the beforementioned set to reflect the additional reporting requirements stemming from the EMIR Refit technical standards.

1. **Urgency of the request:**

Regulatory requirements for reporting under EMIR Refit will enter into force 18 months from the date of their publication in the Official Journal (OJ). Current expectation by ESMA for the publication of the RTS in the OJ is end of Q3 2022. Therefore according to the regulatory requirements and business needs the targeted implementation in the EU is in Q1 2024.

Regarding the CFTC timelines the targeted implementation is late Q4 2023

To accommodate for sufficient lead time for the National Competent Authorities (NCA), National Central Banks (NCB), the Trade Repositories and other market participants to adapt to the changes, the updated XML Schemas need to be registered by end of Q3 2022.

1. **Commitments of the submitting organization:**

ESMA and CFTC confirm that they plan to develop a new version of the impacted messages according to the changes proposed in this document. Moreover, the ESMA TRACE project team also confirms that it plans to develop the new message definitions as specified in this document.

Both regulators confirm their knowledge and acceptance of the ISO 20022 Intellectual Property Rights policy for contributing organizations, as follows.

*“Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free license to use the published information”.*

1. **Contact persons:**

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1. **Summary of changes:**



A detailed view of the proposed changes is shown in the updated version of the EMIR Derivatives XML schema set is provided along with the MCR. Please note that the submitters reserve the right to update the list of proposed updates that are subject to ongoing discussions during the evaluation process. All such additions will be documented and discussed with the SubSEG members before integrating into the next draft version of the message.

1. **Decision of the SEG(s)**

*This section is not to be taken care of by the submitting organization. It will be completed in due time by the SEG(s) in charge of the related ISO 20022 message definitions.*

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| --- | --- |
| **Change** | |
| approved | X |  |
|  | rejected |  |  |

Comments:

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| --- | --- |
| **Timing** | |
| **- Fast/specific track maintenance**  (the change justifies an urgent/the requested implementation using the fast/specific track maintenance process) | | X |
| - **At the occasion of the next maintenance of the messages**  (the change will be considered for implementation, but does not justify an urgent implementation – will be pending until the next [yearly] maintenance of the messages) | |  |

1. See: <https://www.iso20022.org/submission-status/1711/download> [↑](#footnote-ref-2)
2. <https://www.leiroc.org/publications/gls/roc_20210922.pdf> [↑](#footnote-ref-3)
3. [https://www.esma.europa.eu/file/110916/download\_FinalReportOnTS\_2020Dec17](https://www.esma.europa.eu/file/110916/download?token=C9MdQ0N4) [↑](#footnote-ref-4)
4. https://www.cftc.gov/media/6576/Part43\_45TechnicalSpecification093021CLEAN/download [↑](#footnote-ref-5)