Business Justification

for the development of new ISO 20022 financial repository items

# Name of the request

Securities markets regulatory reporting message sets

# Submitting organisation

European Securities and Markets Authority (ESMA)

103, rue de Grenelle

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France

# Scope of the new development

In addition to prior business justifications submitted and approved for instruments and transactions reporting as well as for securities financing transactions reporting, new regulatory reporting requirements for transaction, instrument and data reporting are emerging from European regulation such as but not limited to Central Securities Depositories Regulation (CSDR)[[1]](#footnote-2), Benchmarks Regulation (BR)[[2]](#footnote-3), Money Market Funds Regulation (MMFR)[[3]](#footnote-4).

As new regulation is defined, ESMA is developing Regulatory Technical Standards (RTS) containing the implementation details of the regulation and the related reporting requirements where it applies. ESMA produces a draft RTS that is submitted to a public consultation through ESMA website and potentially revised based on input received. Subsequently, the RTS is reviewed by the European Commission, the European Parliament and the European Council before it is finally approved and published in the Official Journal.

ESMA has adopted ISO 20022 and remains committed to the development of additional reporting messages applying the ISO 20022 methodology as new regulatory reporting requirements are developed in such RTS.

The proposed ISO 20022 business area for the set(s) of messages is “auth”.

The number of messages or number of message sets is unknown at this stage as it will depend on each respective regulation. The number of messages will be confirmed as the business analysis per regulation is completed. Wherever possible, ESMA intends to limit the development of messages and instead re-use already existing messages developed for regulatory reporting.

The submitting organisation wants to deploy the future messages in the default ISO 20022 XML syntax only.

Based on the scope, the submitting organisation proposes to assign the Securities Standards Evaluation Group(s) (SEG) for the evaluation of the candidate ISO 20022 messages, once developed.

The new messages will use the [ISO 20022 Business Application Header](http://www.iso20022.org/documents/general/BAHMUG.zip) (BAH) without repeating header elements within the message.

# Purpose of the new development:

This business justification applies to new requirements resulting from the implementation of new regulation in the European Securities Market. Building on the adoption of the ISO 20022 standard by the European Authorities for reporting obligations, these developments will continue to develop and promote adoption of the ISO 20022 standard in the regulatory reporting space.

These requirements constitute new data collection for which no existing ISO 20022 messages containing similar sets of information exist. By adopting the ISO 20022 methodology for these new messages, it will also bring significant gains in efficiency for processing of the data by the reporting entities which will provide a further incentive for a prompt implementation.

# Community of users and benefits:

The community of users for these new messages includes the different actors from the securities markets such as: central securities depositories, benchmark administrators, financial institutions and other entities subject to reporting obligations, trade repositories and other data providers, and the competent authorities.

The reporting flows may differ for different regulations and reported data. In particular, the following reporting processes may occur:



1. Benefits/savings:

The new messages that will be developed are required to comply with the regulatory requirements. As ESMA has adopted the ISO 20022 methodology and developed messages for other regulation as listed in the scope section, reporting institutions will be able to re-use the tools and processes implemented to comply with these requirements and likely improve the data quality of the reporting. Similarly, ESMA and the Competent Authorities will apply consistent business concepts and data definitions between the different regulations to improve the internal data processing of the collected reports.

1. Adoption scenario:

The new messages will be adopted as soon as the respective Regulatory Technical Standards (RTS) are endorsed by the European Commission and the European Parliament and the regulation enter into force.

1. Volumes:

Depending on the regulation, the reporting volumes will vary, e.g.:

* CSDR: a few thousands of records per quarter,
* BR: dozens of thousands of benchmarks, hundreds of reports per day,
* MMFR: dozens of thousands of records per quarter.

Due to an early stage of the development of specific regulations, more precise information on the expected volumes is not known yet and will be available at later stage.

1. Sponsors and adopters:

The new RTS will enforce usage of the new messages by the reporting firms and ESMA and the Competent Authorities will also implement the messages in the related data processing systems.

# Timing and development:

The new message sets will be developed in function of the implementation timeline of the related regulation schedule, ESMA expects to have the new candidate ISO 20022 messages developed and ready for submission to the RA in 2018 or later, depending on the specific timeline foreseen by each regulation.

# Commitments of the submitting organisation:

ESMA confirms that it can and will:

* undertake the development of the candidate ISO 20022 business and message models that it will submit to the RA for compliance review and evaluation. The submission will be compliant with the [ISO 20022 Master Rules](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) and include a draft Part 1 of the Message Definition Report (MDR) compliant with the [template for MDR part 1](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) provided by the RA, the [ISO 20022 Message Transport Mode](http://www.iso20022.org/documents/general/MessageTransportModes.xls) (MTM) that ESMA recommends to consider with the submitted message set, and examples of valid instances of each candidate message.
* address any queries related to the description of the models and messages as published by the RA on the ISO 20022 website.
* promptly inform the RA about any changes or more accurate information about the number of candidate messages and the timing of their submission to the RA

ESMA confirms that:

* it will inform and consult the market on the new reporting messages but it does not intend to organize any testing of the candidate messages once they have been reviewed and qualified by the RA and before their submission to the SEG(s) for approval.
* It is committed to undertake the future message maintenance.

ESMA confirms its knowledge and acceptance of the ISO 20022 Intellectual Property Rights policy for contributing organisations, 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”.

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# Comments from the RMG members and Securities SEG and disposition of comments by the submitting organisation:

*Comments from Swiss RMG delegation:*

**Submitter of comments:** Rainer Vogelgesang (head of Swiss RMG delegation)

**Date:** 16 October 2017

**Commentary**

The Swiss RMG delegation welcomes the opportunity to be able to comment on the Business Justification (BJ) Securities markets regulatory reporting message sets.

In general, we support the proposal to foresee further ISO 20022 message sets for the standardisation and automation of the business processes in the area of securities markets regulatory reporting.

Moreover, we appreciate the precision in this BJ regarding the use of the proposed syntax, in this case the ISO 20022 XML syntax, as well as the use of the ISO 20022 BAH and the intent not to repeat BAH header elements within the proposed messages.

However, we have some concerns regarding the timing and the scope of the BJ.

The BJ is to cover, in its scope, the regulatory reporting processes of securities markets.

It is understood that the proposed message sets are planned to be developed based on the release of the related underlying EU regulations including but not limited to CSDR, BR and MMFR.

It is furthermore understood that, as and when such EU regulations become available, the development of the related message sets would be initiated. The submitter should endeavour to develop the message sets in a sufficiently versatile and flexible manner in order that regulatory reporting requirements within securities markets, that are outside the area to which the EU regulations apply, can equally be fulfilled with these message sets.

Conversely, if a requirement for a message set in a particular business area of securities markets regulatory reporting were to come up in a market outside the area to which the related EU regulations applies, then the submitter should specify how it conceives to support development of such message set prior to the availability of the related EU regulation. In any case, a situation should be avoided where duplicate message sets are created for individual regulations covering the same regulatory reporting business process.

Due to the early stage of the development of the related EU regulations, there is not sufficient information available currently in order to judge whether this BJ might duplicate already existing concepts and message definitions or to judge whether the objective of this BJ could alternatively be achieved through extension or adaptation of existing message definitions through the ISO 20022 maintenance process.

The submitter should consider, as an alternative approach, to submit a distinct BJ for each of the business processes for which new regulation becomes effective. This approach would have the advantage that the ISO 20022 Evaluation Teams could be formed with experts in the business field of the pertinent regulation.

The de-coupling of this BJ would yield further welcome side-effects: if, as aforementioned, another organisation were to have a more urgent need to develop an ISO 20022 message set in a particular area of the scope covered by this BJ, i.e. securities markets regulatory reporting, such organisation would not be held back by a potentially less speedy development of this BJ’s message set which is understood to have an inherent dependency on the pertinent regulation becoming available.

*Disposition of Swiss comments by ESMA:*

*Comments from Securities SEG:*

1. It is not entirely clear from the BJ document which channel ESMA will use for the evaluation of the messages. What should be avoided is that there are two parallel evaluation processes happening at the same time, one at the level of ESMA and community, and one happening at the level of the Securities SEG. This would represent duplicate work. Recommendation to ESMA would be to involve the SEG from the start of the evaluation process.

*Disposition of SEG comment by ESMA:*

1. The scope of the BJ is too broad and therefore it was suggested that ESMA should split the BJ into several ones, each covering a specific domain. The comment is related to this section of the BJ:

*"In addition to prior business justifications submitted and approved for instruments and transactions reporting as well as for securities financing transactions reporting, new regulatory reporting requirements for transaction, instrument and data reporting are emerging from European regulation such as but not limited to Central Securities Depositories Regulation (CSDR) http://eur-lex.europa.eu/eli/reg/2014/909/oj, Benchmarks Regulation (BR) http://eur-lex.europa.eu/eli/reg/2016/1011/oj, Money Market Funds Regulation (MMFR) http://eur-lex.europa.eu/eli/reg/2017/1131/oj."*

*Disposition of SEG comment by ESMA:*

1. <http://eur-lex.europa.eu/eli/reg/2014/909/oj> [↑](#footnote-ref-2)
2. <http://eur-lex.europa.eu/eli/reg/2016/1011/oj> [↑](#footnote-ref-3)
3. <http://eur-lex.europa.eu/eli/reg/2017/1131/oj> [↑](#footnote-ref-4)