
TO : **Regulated Entities**

- i. Cyprus Investment Firms**
- ii. UCITS¹ and, where relevant, their Management Companies**
- iii. Alternative Investment Funds ('AIFs')² established or managed in Cyprus and where relevant, their Alternative Investment Fund Managers ('AIFMs')**
- iv. Non-Financial Counterparties**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **03 August 2023**

CIRCULAR No : **C593**

SUBJECT : **New reporting standards under Regulation (EU) 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories, as amended ('EMIR')**

The Cyprus Securities and Exchange Commission ('CySEC') herein wishes to highlight new reporting requirements under the European Market Infrastructure Regulation (EMIR), which become applicable on 29 April 2024. More specifically:

A. Amended regulatory framework

1. [Regulation \(EU\) 2022/1855](#) repealing Regulation (EU) 148/2023, specifying the minimum details of the data to be reported to trade repositories and the type of reports to be used.
2. [Regulation \(EU\) 2022/1860](#) repealing Regulation (EU) 1247/2012 with regard to the standards, formats, frequency and methods and arrangements for reporting.
3. [Regulation \(EU\) 2022/1856](#) amending Regulation (EU) 151/2013 by further specifying the procedure for accessing details of derivatives as well as the technical and operational arrangements for their access.

¹ UCITS set up exclusively for the purpose of service one or more employee share purchase plans are out of scope.

² AIFs set up exclusively for the purpose of serving one or more employee share purchase plans, or AIFs which are securitization special purpose entities as defined by Article 2(1) of the Alternative Investment Fund Managers Law of 2013 (Law 56(I)/2013 as amended) are out of scope.

4. [Regulation \(EU\) 2022/1858](#) supplementing Regulation (EU) 648/2012 specifying the procedures for the reconciliation of data between trade repositories and the procedures to be applied by the trade repository to verify the compliance of the reporting counterparty or submitting entity with the reporting requirements and to verify the completeness and correctness of the data reported.
5. Final Report on Guidelines for reporting under EMIR (<https://www.esma.europa.eu/data-reporting/emir-reporting>).
6. [Validation rules, reconciliation tolerances and template for the notification of errors and omissions in reporting](#) (<https://www.esma.europa.eu/data-reporting/emir-reporting>).
7. XML EMIR Reporting Schemas (<https://www.esma.europa.eu/data-reporting/emir-reporting>).

B. Analysis of main changes

8. Reporting in ISO 20022 XML

ISO 20022 XML data formats are required for communication between trade repositories ('TRs') and entities and from TRs to authorities.

9. Content of the reports

With regards to the content of the reports, the following main amendments are introduced:

i. Reportable fields

The number of reportable fields increases from 129 fields to 203 fields. New fields introduced include the following:

- a. Derivative based on crypto-assets, where counterparties are expected to indicate whether a derivative is based on crypto-assets.
- b. Event type that provides more granularity about type of business event triggering a report.
- c. Unique Product Identifiers (UPI), issued by the Derivatives Service Bureau (DSB) (<https://cosp.anna-dsb.com/home>), are assigned for derivatives other than those identified with International Securities Identification Numbers (ISINs). The UPI is designed to facilitate effective aggregation of over-the-counter (OTC) derivatives transaction reports.
- d. Post Trade Risk Reduction (PTRR) ID that is used to link trades that have been through an event such as a compression.
- e. Entity responsible for reporting ('ERR') of an OTC derivative (i.e. the entity which is responsible and legally liable for reporting on behalf of the other counterparty as per article 9(1a)-9(1d) of EMIR as amended by Regulation (EU) 2019/834).

It is noted that some fields currently being reported under EMIR are abolished, such as Beneficiary and Trading Capacity.

- ii. Change in the structure and content of the reports to be submitted with a separate table focusing on collateral details. In order for competent authorities to determine the real exposures of counterparties, accurate and timely information needs to be provided on collateral exchanged between counterparties.

10. Unique Trade Identifier (UTI)

Timely generation and provision of the UTI is necessary to enable both counterparties to use the same UTI, thus ensuring the correct identification and association of the two reports pertaining to the same derivative. The new rules:

- i. establish criteria to determine the entity responsible for the generation of the UTI so as to avoid counting the same derivative twice,
- ii. impose deadlines³ for the generating counterparty to communicate the UTI to the other counterparty.

11. Verification of completeness and correctness of data reported and inter-TR reconciliation

To ensure the high quality of information on derivatives reported to TRs,

- a. TRs should verify the identity of the report submitting entities, the logical integrity of the sequence in which the details of the derivative are reported, and the completeness and correctness of those details,
- b. TRs should reconcile the details of each derivative report received where both counterparties have a reporting obligation,
- c. Additional data points/values are reconciled/matched by TRs for dual sided reports (i.e. reports submitted by 2 EEA counterparties) including, but not limited to, valuation amount, valuation method etc. Some data points/values will be reconciled from the start date of the reporting obligation while others will begin to be reconciled two years from the start date⁴.

12. Notification of significant reporting issues to competent authorities

- i. Article 9(1) of Regulation (EU) 2022/1860 introduces a new requirement for ERRs to notify competent authorities in case of significant reporting issues, such as the following:
 - a. misreporting caused by the reporting systems that would affect a significant number of reports;

³ As per Article 7(4) of Regulation (EU) 2022/1860.

⁴ As per table 2 of the Annex to Regulation (EU) 2022/1858.

- b. reporting obstacles preventing the report submitting entity from sending reports to a TR within the deadline referred to in Article 9(1) of EMIR,
 - c. significant issues resulting in reporting errors that would not cause rejection by a TR.
- ii. ESMA has published a template⁵ for submitting the notifications.

C. Impact of new rules

13. Counterparties to derivatives or ERRs, where applicable, should review the implications of the new rules and take the necessary action in order to ensure compliance with EMIR. More specifically, they are advised to:
- i. Evaluate the impact of the new rules and revise their reporting procedures accordingly.
 - ii. Ensure that their reports fulfil the conditions of article 1 of Regulation (EU) 2022/1858 in order to avoid rejections.
 - iii. Ensure that authorisation of report submitting entities is confirmed, ahead of reporting, in order to avoid rejections.
 - iv. Ensure that all fields, relevant to the derivative reported, are populated, irrespective of whether said fields are noted as optional in the ESMA Validation Rules.
 - v. Ensure that they monitor their compliance with their reporting obligations under EMIR. They should therefore be able to access⁶, on a daily basis, the result of the verification of those reports, any warnings and the progress of the reconciliation of the reported data. Also, they should ensure that they have in place the necessary procedures to ensure proper handling of issues and timely submission of amended reports.
 - vi. Ensure that they have adequate arrangements in place with their counterparties in order to ensure alignment of data reported by the two sides of each report in order to avoid reconciliation breaks.
 - vii. Ensure that they have adequate procedures in place to promptly identify and notify to the CySEC any significant reporting issues in accordance with article 9(1) of Regulation (EU) 2022/1860 using the ESMA template for submitting notifications as per point 12 above.

⁵ Validation rules, reconciliation tolerances and template for notification of errors and omissions in reporting (<https://www.esma.europa.eu/data-reporting/emir-reporting>).

⁶ In accordance with Article 78(7) of EMIR and article 4 of Regulation (EU) 2022/1858, a TR is required to grant access to entities, such as reporting counterparties, report submitting entities and ERRs, end-of-day feedback reports, on condition that the relevant counterparties have provided their consent.

D. Transitional Arrangements

Starting from 29 April 2024, all reports submitted to TRs should comply with the new requirements. Outstanding derivatives i.e. derivatives reported before 29 April 2024 and were not terminated by the said date will need to be updated to conform with the new reporting requirements no later than 180 calendar days from the reporting start date (with a few exceptions).

Sincerely

Dr George Theocharides
Chairman, Cyprus Securities and Exchange Commission