

The road to Refit

Taking the final steps

Overview

As we count down the weeks to the go-live date for EMIR Refit in Europe on 29 April 2024 and the UK on 30 September 2024, how are market participants preparing for the new standards that will introduce various changes to the EMIR reporting landscape? In this final highlight of our three-part 'Road to Refit' webinar series, we review the industry environment and market participants' readiness for compliance with EMIR Refit.



State of EMIR readiness

Given the differing implementation timelines across EU and UK, it is critical that participants make the necessary preparations timeously. During our 'EMIR Refit rundown' webinar in November, we conducted a poll that found, in regard to participants' readiness for EMIR Refit, 54% understood the requirements, with 20% in testing and 8% already having a plan in place. While it is positive to see the number of firms taking action increasing over time since our previous polls, it is vital that it remains a top-of-agenda priority to prevent unnecessary disruption to workflows and operations.

But with the window closing for participants to identify defects or changes to their EMIR reporting process, and the issue of deadlines that overlap with other regime changes, such as CFTC, JFSA, ASIC and MAS, firms are experiencing further difficulties in their preparations for EMIR Refit.

Regulators are working to provide clarity and facilitate a smooth transition to reporting under EMIR Refit. In the recently published validation rules from ESMA, the guidelines for XML messages were updated or newly developed based on the revised technical standards and validation rules. This has created a standardised format for reporting, alleviating the risk of discrepancies due to inconsistent data. The incorporation of end-to-end reporting in ISO 20022 XML will also further enhance data quality and consistency and mitigate the data integrity risks by reducing the need for data cleaning/normalisation.

Simultaneously, we have been collaborating with participants to expand our EMIR services to aid customers with this transition, including the development of unique product identifier (UPI) enrichment services and a global derivative reference data file, and the launch of our new EMIR Refit CSV>XML Converter tool, reducing the build and maintenance costs of compliance.

Outstanding issues and lessons to be learnt

During our webinar discussion on the outstanding issues firms face, many cited the challenges with data sourcing, UPIs and reference data. At the same time, the complexity of packaging, unique trade identifiers (UTIs) and UPIs, especially with changes in January, were underscored. We urge firms to update their know your customer (KYC) and onboarding processes to ensure they remain compliant.

Clients must be wary of any reporting errors at these stages, as mistakes can lead to costly delays further down the line. The regulatory obligations will require the enhancement, automation and integration of data quality controls along the chain of transmission: data governance, traceability and executive accountability. Each of these areas is being mandated by regulators to reinforce the importance of effective data management in an increasingly complex digital environment.

Shared data definitions among regulators are also of critical significance for continuing to improve data quality and making data points reusable. EMIR Refit provides a prime opportunity to leverage data governance for future regulatory changes, despite regional differences participants might encounter. With the expected challenges with KYC and onboarding, ensuring clear definitions for data lineage and implementation of data dictionaries remains a key priority.

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