



# PLANNING FOR JFSA TRADE REPORTING RULE REWRITE

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**DTCC**

The global trade reporting landscape is set for a shake up as the world's most significant derivatives regulations are being revisited with an eye towards improved data quality and harmonized data standards.

In the Asia-Pacific (APAC) region, regulators are engaging with each other to coordinate their derivatives reporting rule changes -- or "rewrites" -- adopting revised and new fields including CPMI-IOSCO's critical data elements (CDE) like the unique product identifier (UPI) and implementing the ISO 20022 XML standard, amongst other changes. Regulators in APAC are focused on bringing greater alignment on the quality and accuracy of the reported data. They are also generally aligned on implementation timing with Japan targeting the go-live date on April 1, 2024, followed by Australia and Singapore with a common implementation date expected in Q4 2024.

## INDUSTRY IMPACTS

Based on our experience, you may want to consider the following when evaluating your readiness for the upcoming Financial Services Agency of Japan (JFSA) Rule Rewrite:

- Front to back processes, data requirements and lineage
- UPI implementation once it becomes available, including how UPIs will be exchanged at the point of trade execution and how the information will be propagated downstream
- Re-reporting existing open positions (i.e. either transition from direct reporting to JFSA or upgrade of the existing open positions in the trade repository) including data requirements under the new framework
- The impact of moving away from legacy messaging to ISO 20022 XML
- Collateral systems and how they will support the added complexity of reporting the entire set of collateral fields proposed for rewrite
- The need to create end-to-end test cases, including functional and technical specifications, to ensure readiness for compliance
- The analysis, design and implementation of new business requirements and enhanced controls required to adapt to the new rule
- An appropriate control and incident management framework that is adjusted based on the rewrite requirements

### LET US HELP YOU GET READY FOR THE UPCOMING GLOBAL REGULATORY CHANGES

Discover how DTCC, through our [Global Trade Repository service \(GTR\)](#), can help you address the significant data, technology, and resourcing challenges associated with updating your trade reporting infrastructure and control framework for compliance with the JFSA Rule Rewrite.

REACH OUT TODAY

# SUBMITTING DATA INTO THE TRADE REPOSITORY

SUB TASK	KEY CONSIDERATIONS
<p><b>NEW TECHNICAL STANDARDS AND VALIDATION RULES</b></p>	<ul style="list-style-type: none"> <li>• The number of reportable fields now stands at 137, the final total number will reach 139 fields when UPI and Delta are introduced at a later date. Have you completed the necessary gap analysis on the changes?</li> <li>• Do you have the relevant operational experience to map data from internal systems to appropriately populate these fields? If not, have you considered engaging with external consultants?</li> </ul>
<p><b>CUTOVER TO THE NEW TECHNICAL STANDARDS</b></p>	<ul style="list-style-type: none"> <li>• JFSA indicated that all outstanding legacy transactions will have to be fully populated and re-reported to trade repositories (TRs) by September 27, 2024. Do you have all the relevant data to update historic trades into the latest technical standards?</li> </ul>
<p><b>RESPONSE FILES</b></p>	<ul style="list-style-type: none"> <li>• A standard set of error codes will be provided in response files. What does this mean for your control framework if the TRs' proprietary ACK/NACK codes are no longer used post-go live? Does this mean your control framework will need to be redesigned or rebuilt?</li> </ul>
<p><b>USE OF XML: ISO 20022</b></p>	<ul style="list-style-type: none"> <li>• JFSA has mandated to adopt ISO 20022 XML as inbound from April 1, 2024. Have you considered how you are going to generate XML files to submit into the TR?</li> <li>• Do you have sufficient experience in-house to implement the move to XML reporting?</li> </ul>
<p><b>TESTING</b></p>	<ul style="list-style-type: none"> <li>• It is critically important to conduct sufficient testing prior to the go-live date in April 2024. GTR offers early access to a validation Simulator (likely in Q3 2023) and UAT (likely in Q4 2023) for users to conduct testing well ahead of April 1, 2024.</li> <li>• Do you plan to create sufficient testing scenario to cover your trading patterns?</li> </ul>

## COLLATERAL REPORTING

SUB TASK	KEY CONSIDERATIONS
<b>COLLATERAL REPORTING</b>	<ul style="list-style-type: none"><li>• JFSA does not currently require reporting of collateral. Does your system have the ability to report new collateral fields being asked for rewrite?</li></ul>

## END-OF-DAY REPORTS

SUB TASK	KEY CONSIDERATIONS
<b>XML OR CSV REPORTING</b>	<ul style="list-style-type: none"><li>• It is possible that TRs will not be able to provide a choice of either XML or CSV reports to reporting parties. If CSV reporting is the preference, is this good enough for your internal operational process such as reconciliation?</li><li>• Have you considered any additional internal tooling your operations teams may require?</li></ul>
<b>END-OF-DAY PARTICIPANT REPORTS</b>	<ul style="list-style-type: none"><li>• While there are no SLA changes expected to the report generation timings, reports are generally provided to you in the early hours of the Japan day. With the earlier provision of these reports, is there any way that operational processes can be enhanced (i.e., correct mismatches earlier in the day)?</li></ul>

## KEY NEW FIELDS

SUB TASK	KEY CONSIDERATIONS
<b>EVENT TYPE VERSUS ACTION TYPE AND MANAGING LIFECYCLE EVENTS</b>	<ul style="list-style-type: none"><li>• JFSA indicated that firms must now indicate the action type and the event type, which is a significant change to lifecycle event management. Have you considered the implications to event choreography?</li><li>• The internal sources of these new event types may sit across multiple applications. Have you mapped these event types to application sources and determined how these feed reporting systems?</li></ul>
<b>ACTION TYPE: REVIVE</b>	<ul style="list-style-type: none"><li>• Whilst not a new field, the action type “revive” has been added to provide counterparties with the ability to reopen trades after being terminated or cancelled by mistake. Are changes required in your reporting system to account for reviving a previously closed trade?</li></ul>

SUB TASK	KEY CONSIDERATIONS
UPI	<ul style="list-style-type: none"> <li>• In the long term, the Unique Product Identifier (UPI) should simplify reporting and data aggregation as it reduces the number of reportable fields. Have you considered how you will incorporate the UPI into reporting applications?</li> <li>• Have you coordinated with industry peers to agree on the methodology on how to obtain UPI and how to share UPI with trading counterparties?</li> </ul>
PRIOR UTI	<ul style="list-style-type: none"> <li>• Prior Unique Trade Identifiers (UTIs) provide entities the ability to link transactions. Is the prior UTI obtainable for trades that must be upgraded to the latest technical standards?</li> <li>• Have you considered how you would link these transactions and any impact of sourcing the prior UTIs?</li> <li>• Should prior UTI be used as temporary UTI if you are unable to obtain a UTI in time for reporting?</li> </ul>
LEI	<ul style="list-style-type: none"> <li>• LEI will be the mandatory identifier for CP1 and CP2 for JFSA reporting upon rewrite. SWIFT BIC code is no longer accepted.</li> <li>• Have you obtained LEI for your firm as well as your trading counterparties?</li> </ul>
EVENT IDENTIFIER	<ul style="list-style-type: none"> <li>• The Event Identifier will be used to link trades that have been through an event such as a compression. Will all service providers be able to provide this ID with sufficient time to meet T+1 reporting?</li> </ul>
ENTITY RESPONSIBLE FOR REPORTING	<ul style="list-style-type: none"> <li>• This field represents the entity responsible and legally liable for reporting. If you are a Reporting Submitting Entity, have you considered the scenarios in which the entity responsible for reporting field is to be populated?</li> <li>• The entity responsible for reporting field must be populated with details of the trust bank. If you are a reporting submitting entity, do you have sufficient details of the trust bank to facilitate this?</li> </ul>
DIRECTION OF LEG 1 / LEG 2	<ul style="list-style-type: none"> <li>• As outlined in the final report, there are certain transactions (i.e., equity swaps, FX swaps and FX forwards) where the counterparties should determine the payer and the receiver of each leg as determined at the time of the transaction. Would this information be stored for reporting trades that are open pre-JFSA Rule Rewrite?</li> </ul>

SUB TASK	KEY CONSIDERATIONS
<b>NOTIONAL AMOUNT SCHEDULE FIELDS (MULTIPLE)</b>	<ul style="list-style-type: none"> <li>Under JFSA Rule Rewrite, firms must report the notional amount schedules up front. Have you considered the implications for how to construct a repeatable notional schedule?</li> </ul>
<b>PACKAGE FIELDS (MULTIPLE)</b>	<ul style="list-style-type: none"> <li>Under JFSA Rule Rewrite, reporting of package spread is optional. Should your firm decide to report the fields, there may be challenges if package deals are booked as two separate trades. Have you considered how to link these separate trades for reporting?</li> </ul>

## REPORTING SIGNIFICANT ISSUES TO REGULATORY AUTHORITIES

SUB TASK	KEY CONSIDERATIONS
<b>IDENTIFYING SIGNIFICANT ISSUES</b>	<ul style="list-style-type: none"> <li>Generally, when reporting parties experience significant issues, these must be reported to the relevant supervisory authority. Significant issues are defined as reporting obstacles that prevent reporting, misreporting by a reporting system flaw or an issue that causes a large number of rejected reports. Is your Control Framework sufficiently strong to ensure fast identification of “Significant Issues”?</li> </ul>
<b>RESOLVING SIGNIFICANT ISSUES</b>	<ul style="list-style-type: none"> <li>Underpinning this requirement for reporting parties to notify the regulatory authorities of Significant Issues is the enhanced focus on data quality. This means that whilst reporting parties must have the ability to identify issues, they should also have the ability to remediate them in a timely manner.</li> <li>If you use a vendor for your reporting, do you have the appropriate SLAs in place for incident identification and remediation?</li> </ul>

## MISCELLANEOUS

SUB TASK	KEY CONSIDERATIONS
<b>INTERNAL TRADE ID</b>	<ul style="list-style-type: none"> <li>The internal trade ID or transaction ID field is a proprietary field and will no longer be available when JFSA Rule Rewrite goes live (due to XML schema restrictions). Have you determined how this field is used by your firm?</li> <li>Have you considered any alternatives noting there are no free format fields within ISO 20022 XML?</li> </ul>



# THE CHALLENGES THESE CHANGES CREATE

*Aside from JFSA's trade reporting rewrite, the upcoming changes to global derivatives trade reporting rules will create fresh challenges for market participants in terms of aligning with new and differing regulatory reporting requirements. Challenges include:*

## CONSTANT REGULATORY CHANGE

Inconsistent adoption of new data requirements – including UTI, UPI, and ISO 20022 messaging – by regulators will require firms to continually reassess and update their trade reporting technology processes as the changes roll out. Compliance is and will remain a moving target, with failure potentially leading to penalties and reputational damage.

## COST PRESSURE

Operating and maintaining internal trade reporting systems is expensive. The cost of continuously updating infrastructure to accommodate differing reporting timelines and requirements will be even greater, especially if approached in a tactical versus strategic manner.

## RESOURCE SKILLSET CHALLENGES

Sourcing regulatory reporting expertise to meet multiple different jurisdictional reporting requirements is challenging for firms.

## DTCC IS HERE TO HELP EVERY STEP OF THE WAY

The changes in JFSA trade reporting rewrite are significant and impacted firms should begin planning as soon as possible. To assist with your preparation, documentation and client enablement materials will be provided on DTCC Learning Center and our User Acceptance Testing (UAT) environment will be available for testing well ahead of the go-live date.

DTCC also runs regular working group meetings covering trade reporting requirements for jurisdictions across Asia Pacific – to ensure client readiness.

## FOR MORE INFORMATION

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