Collateral and Valuation Reporting

Update – 3rd July 2014
Overview

- DTCC have initiated a report stability program which will run throughout the remainder of 2014.

- The introduction of collateral and valuation reporting has been identified as a significant risk to the success of this stability program and is likely to create additional delays to existing reports.

- To mitigate this risk we are planning to make a number of changes to the collateral and valuation reporting solution.

- The changes outlined in this document do not impact message submission but do impact upon GTR reporting.

- The planned changes also impact upon regulatory reporting. These changes have been communicated to ESMA and are subject to regulatory agreement.
Impact on Trade Valuation Reporting

- Trade valuations must be submitted to GTR daily. Submissions can be made to GTR intra-day or at the end of day.
- Valuation data can be submitted using any of the following messages:
  - Valuation message (available to all OTC classes and all jurisdictions, OTC Lite and ETD services for ESMA reporting only)
  - Snapshot message (available to all OTC classes and all jurisdictions)
  - Position message (available to OTC Lite and ETD services for ESMA reporting only. If reporting ETD transaction the valuation must be provided using the separate valuation message.)
- With reference to transactions cleared by a CCP, valuations should be reported on a daily basis at position level, as maintained and valued by the CCP by each party that has a reporting obligation.
- For Non-Financial counterparties who are below the clearing threshold, there is no obligation to report valuation data.
- Planned changes
  - Any trade valuations submitted by NFC (minus) parties will be withheld and will not be included on regulatory reports.
  - As a result of the above all valuations reported by, or on behalf of, NFC (minus) parties will not be populated on regulatory reports.
Impact on Trade Valuation Reporting

- Delegated reporting of valuation messages will follow the same rules as delegated reporting of trades but can be applied independently of the reporting of trades. A firm can delegate reporting of their trades but independently report the valuation of those trades or vice versa.

- OTC Lite users can submit valuations on their own behalf even if they delegated trade reporting and those trades were submitted through the OTC core asset classes.

- All valuations, reported through OTC Lite or OTC Core asset classes will be included on the ESMA OTC Position and Activity reports.

- Planned changes
  - Valuations cannot be submitted through OTC Core for trades reported through OTC Lite.
  - Valuation messages submitted through OTC Lite will be included in reports produced from the OTC core asset classes (i.e. the Enhanced Position Reports).
  - The valuation reported will be that with the latest valuation date time reported for that day, regardless of data submitter. It will no longer be the case that any self-submission takes precedence over a delegated submission.
Impact on Collateral Reporting

- **Planned changes**
  - Collateral valuations will not be populated on the GTR position reports. This exclusion will apply to:
    - Enhanced Position Reports
    - ESMA OTC Position Report
    - ESMA ETD Position Report
    - ESMA OTC Activity Report
    - ESMA ETD Activity Report
  - The following fields will be added to the above reports but will not be populated:
    - Collateralisation
    - Value of the collateral
    - Currency of the collateral value
  - The following fields will be added to the above reports and will be populated if submitted via trade messages. They will not be populated if submitted on Collateral Link messages:
    - Collateral Portfolio Indicator
    - Collateral portfolio code
Impact on Collateral Reporting

- The Collateral Submission Report will be provided as previously documented
  - A new collateral report will be created to indicate collateral posted by the report recipient
  - This will provide participants with a view of the collateral that is reported as being posted by them.
  - The collateral reports will be asset class and service agnostic, meaning all collateral from the OTC Core, Lite and ETD service will appear on the same collateral report.
  - The report will only show data related to the trade party where that party has reported the collateral. The report will include the following fields:
    - Action
    - Message Type
    - Data Submitter Message ID
    - Data Submitter prefix
    - Data Submitter value
    - Trade Party Prefix
    - Trade Party Value
    - Execution Agent Party Prefix
    - Execution Agent Party Value
    - Collateral portfolio code
    - Collateral Portfolio Indicator
    - Value of the collateral
    - Currency of the collateral
    - Collateral Valuation Date Time
    - Collateral Reporting Date
    - sendTo
    - Submission Date & Time
    - Status
    - Error Code/ Reason
  - Users will be able to access collateral reports where they indicated as the data submitter, the trade party or the execution agent.
  - This report will be available for download under a new o-code.
Impact on Collateral Reporting

- The Collateral Link Report will be provided as previously documented
  - For users reporting their collateral portfolio codes and associated underlying positions using the Collateral Link message, a report will be generated of all active links made through the collateral link message.
  - The collateral reports will be asset class and service agnostic, meaning all collateral from the OTC Core, Lite and ETD service will appear on the same collateral report.
  - The report will include the following fields:
    - Action
    - Message Type
    - Data Submitter Message ID
    - Data Submitter prefix
    - Data Submitter value
    - Trade Party Prefix
    - Trade Party Value
    - Execution Agent Party Prefix
    - Execution Agent Party Value
    - UTI Prefix
    - UTI Value
    - USI Prefix
    - USI Value
    - Trade Party Transaction Id
    - Collateral portfolio code
    - Collateralized
    - sendTo
  - This report will be available for download under a new o-code.
Impact on Warning Reports

- Collateral warnings will not be produced because given the method proposed for reporting collateral to participants and regulators it will not be possible to provide warnings for those portfolios not linked to trades.

- Valuation warnings will be produced as previously documented
  - Valuation warnings (NFC(minus) excluded from this population):
    - Where there is an obligation to ESMA and no valuation has been received.
    - Where there is an obligation to ESMA and no valuation has been received for the current day.
  - One exceptional scenario exists whereby the data submitter will not receive this warning report.
    - If a trade is reported through an OTC core asset class and valuation reporting is delegated to a third party who uses OTC Lite it will be possible to provide warnings to the trade parties but not to the third party data submitter.
## Delivery Milestones

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<tr>
<th>UAT / Prod</th>
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<tr>
<td>UAT</td>
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- Phase A - Collateral message ingestion and ACK/ NACK reporting; Collateral Link message ingestion and ACK/ NACK reporting.
- Phase B - OTC Lite standalone valuation message ingestion and ACK/ NACK reporting.
- Phase C - For independent and snapshot valuation messages, valuation date/time is conditionally required if trade value/ccy is provided.
- Phase D – Collateral valuation report; collateral link report..
- Phase E – Inclusion of OTC Lite valuations on core EPRs where trade is in OTC core.
Questions?