EMIR REFIT

Background

European Market Infrastructure Regulation (EMIR) was included within the European Commission's 2016 Regulatory Fitness and Performance (REFIT) programme which resulted, in May 2017, in a proposal from the Commission for a Regulation amending EMIR to new EMIR Refit regime for the clearing obligation for financial and non-financial counterparties.

ESMA has clarified the legal provisions on reporting and data management under the amended EMIR rules and provided practical guidance on their implementation. The final report on Guidelines, published end of December is accompanied by the validation rules and the reporting instructions (here and here).

Why? When?

The new EU EMIR Refit rules have been passed by the European Parliament and require revised reporting to begin on 29 April 2024. This revision is meant to align the EU regulations with global standards and improve data quality, as such there have been major changes introduced. UK Refit is anticipated to start on 30 September 2024.

Majors Changes

1. ISO20022 XML

ISO 20022 is currently used for other regulatory regimes and has been widely accepted in the financial industry. The way to report these fields will change and ESMA will introduce the harmonised XML submissions for EMIR reporting as part of the global standardisation. Reports submitted to an EU TR must comply with the ISO 20022 XML message standard.

2. Changes on Identifiers

2.1 Unique Product Identifier (UPI)

ESMA has specified that derivatives which are traded on a trading venue or a systematic internaliser should be using an International Securities Identification Number (ISIN) code. The remaining derivatives should be identified using a Unique Product Identifier (UPI) code.

A UPI will be assigned to an over the counter (OTC) derivatives product and used for identifying the product in transaction reporting data. One centralised place for UPIs will surely reduce inconsistency and importantly, will hopefully reduce the volume of reportable fields in the future, as many separate data fields can be obtained from the UPI.

2.2 Unique Transaction Identifier (UTI)

To align with international standards, ESMA is adopting standards promoted by CPMI-IOSCO for defining the logic structure of Unique Trade Identifiers (UTIs). The introduction of these changes will enhance data harmonisation globally. The revision of the UTI generation waterfall will prove challenging for many reporting counterparties.

2.3 Legal Entity Identifier (LEI)

The renewal of LEIs will be validated only for the reporting counterparty and the entity responsible for reporting. This means lapsed LEIs are allowed for other counterparties.

3. Many changes to the reportable fields

Most fields will change. The addition of 89 new fields, the withdrawal of 15 and updates to the name, definition, or format of how to report a field. This brings the total number of reportable fields from 129 to 203.

EMIR REFIT by Numbers			
Current Number of Fields	Increase in Fields	Fields After REFIT	Years Since EMIR Came Into Law
129	74	203	10

EMIR Refit will also necessitate more granular reporting and the entirely new requirement to notify the national competent authority of any failures during the reporting process.

And this is a non-exhaustive list!

How can i-Fihn Consulting help you?

The experience of implementing EMIR has demonstrated that these will require a significant amount of lead time, so our suggestion is that firms commence their planning earlier rather than later.

Based on years of experiences in the implementation of regulatory requirements and with the knowledge of his experts on post trade activities, i-Fihn could guide you to establish new requirements and optimizations efficiently. In addition, we support you in the integration with the operative business.

If you have any questions regarding this i-Fihn Consulting Memo or you would like to reach us, please contact i-Fihn Business Unit Post Trade Activities:

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