Mindtree
Welcome to possible

Accurate and Cost-Effective MiFIR Transaction Reporting Solution

VIEW POINT

The European Union (EU) has recently assumed a much stronger role in overseeing and controlling securities and derivative transactions to counter an unwanted growth in commodity speculation and "dark markets" in recent years. The EU's goal is to establish a safer and more transparent financial system by enhancing regulatory requirements, market transparency and investor protection.

The Markets in Financial Instruments Regulation (MiFIR), issued by the EU Commission in 2011, requires financial institutions to migrate from current Markets in Financial Instruments Directive (MiFID) 1 reporting requirements to the stricter, more comprehensive MiFIR rules by end of year 2015.

MiFIR's Far-Reaching Impact on EU Financial Institutions

MiFIR's scope extends beyond the European securities markets and investment companies to commodity firms, data providers and third-party country firms. It also significantly expands both the range of required reporting and the type of data required, for example:

- All derivative trading on regulated markets must be reported, including the previously exempted interest rate, commodity, over the counter (OTC) and foreign exchange (FX) derivatives.
- All instruments traded on Multilateral Trading Facilities (MTFs) and Organized Trading Facilities (OTFs) must be reported, which significantly increases the number of cash instruments involved.
- Any instrument that could have an impact on the value of instruments trading on a trading venue must be reported.
- The reports must include the names of individual traders executing the transaction or the algorithm used, and whether the trader is short selling.

Seven Crucial MiFIR Reporting Challenges

The new MiFIR regulations present a number of implementation and system challenges that cannot be underestimated. Here are seven crucial business and IT questions that you should be asking yourself, along with the kinds of qualifications for third-party compliance partners that can help you address them.

1. How do you identify reporting obligations under MiFIR?

The first challenge companies face is identifying their MiFIR reportable asset classes, transaction types and trade scenarios. Deciding on what is reportable amid millions of transactions is a major challenge. An experienced compliance partner should be ready to work with your legal team and business unit heads to fully understand trade scenarios and translate regulatory requirements into business requirements for designing and developing the reporting system.

2. What business processes will you need to change?

MiFID rules have had a huge impact on the way firms manage their trade operations. To those requirements, MiFIR adds the need to track executing traders, decision makers and algorithms, and to coordinate with other intermediaries in the transaction to generate a unique "Report Matching Number", among others. Your vendor should, at a minimum, be able to analyze trade operations and identify gaps that result in inconsistencies and data gaps for MiFID reporting and provide recommendations for process changes.

3. Which IT systems should source transaction data for each reportable asset class?

Banks rely on multiple applications in the front and middle office to capture information about orders, trade executions and allocations, using separate systems for different asset classes. Identifying which systems to use to source complete and accurate transaction data for MiFIR reporting is a key challenge. Industry-leading compliance partners should be able to perform a thorough assessment of all trading systems to identify the appropriate source for MiFIR data to simplify the reporting logic and business rules.

4. How do you fill in the gaps in the data required for the MiFIR fields?

MiFIR includes many new transaction details which investment firms have not been required to capture until now, such as trade waiver, short selling flag, and trade decision maker. Choose a partner that can conduct a full data mapping and gap analysis to identify missing data elements and recommends process and system changes to resolve the data gaps.

5. What is the best way to integrate MiFIR reporting for different business units and geographic entities?

Different business units may have different obligations to report under MiFIR because of their exposure to different reportable products and trading systems. Developing a reporting infrastructure which seamlessly integrates all the elements requires considerable expertise. Ask potential partners how much experience they have handling regulations such as the Frank Dodd Act and European Markets Infrastructure Regulation (EMIR). That kind of experience provides the necessary knowhow in regulatory data integration and reporting to help you manage the complexity of multiple geographic and divisional reporting requirements.

6. Which systems should you rely on for accurate counterparty and product reference data?

Investment firms use various internal and third-party sources of reference data. However, many of these sources may have conflicting information about the same product or counterparty. An able compliance partner can help you sort out and benchmark the different sources of reference data and choose the most reliable ones for reporting.

7. How do you design a robust control framework around MiFIR reporting for effective change control?

In regulatory reporting, most post-implementation issues arise because of lack of operational controls. A regulatory reporting project should make sure that 1) control points are clearly defined, 2) ownership of controls is assigned to the respective operations teams and 3) regular reviews are scheduled as an integral part of ongoing operations. An experienced partner can apply its knowledge designing and implementing control frameworks for regulatory reporting to help you avoid operational issues after project implementation.

An Experienced Partner Can Help You Successfully Meet MiFIR Reporting Needs

MiFIR transaction reporting poses some unique IT challenges, such as trade data sourcing, data enrichment, report generation and timely regulation submissions to name a few. Regulatory reporting projects involve frequently changing requirements and very stringent timelines, which if missed, can result in penalties and potential damage to your firm's reputation.

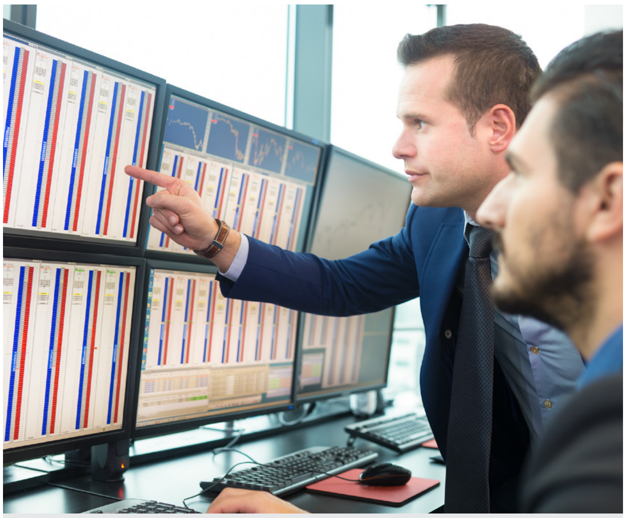
Look for an IT partner with years of experience working with all the major trade reporting regulations, such as MiFID I, Dodd Frank Act, and EMIR, among many others. Make sure they follow proven best practices to optimize operational controls around transaction reporting and help ensure that the reporting process is cost effective as well as timely and accurate.

The most successful IT partners have experts with hands-on experience assisting financial institutions to prepare for MiFIR reporting compliance. These firms know the challenges, risks and practical mitigation approaches and are sensitive to the pressures of tight deadlines and the impact of non-compliance. They can assist you across different stages of your MiFIR compliance program with point solutions and end-to-end professional services.

Use Cost-effective MiFIR Transaction Reporting Solutions that Meet Regulatory Compliance

You need a compliance partner with expertise in designing reporting systems, a solid grounding in business practices and a thorough understanding of the different products in the reportable asset classes.

Based on our knowledge of MiFID and MiFIR reporting, experience in implementing similar projects, and proprietary development and testing tools, we can deliver accurate MiFIR transaction reporting solutions and services at a lower cost and within regulatory timelines. We can assist you across different stages of your MiFIR compliance program with point solutions as well as end-to-end professional services.



Case Study: UK Trading House Gains Control Over MiFID Reporting Issues

A UK trading house needed to quickly identify and fix reporting gaps that led to report exceptions and rejections from the Financial Conduct Authority (FCA). Due to the huge trade volumes involved, the reporting gaps had the potential for misreporting thousands of daily transactions and bringing down stiff regulatory fines.

To resolve these issues, Mindtree performed root-cause analysis on reporting issues, prioritized them for remediation and defined resolution requirements. Engineers worked closely with the firm's in-house operations teams to resolve upstream process gaps and improve MiFID reporting.

We also instituted best practices to ensure that all related documentation was updated and includes details of remediation. This gave UK trading firm better control over its MiFID reporting process, significantly reduced the number of report rejections from the FCA and increased operational efficiencies throughout the firm.

For more information on our MiFIR Solution Framework or for assistance in assessing your organization's MiFIR reporting compliance needs, email us at info@mindtree.com.

About Mindtree

Mindtree [NSE: MINDTREE] delivers technology services and accelerates growth for Global 1000 companies by solving complex business challenges with breakthrough technical innovations. Mindtree specializes in e-commerce, mobility, cloud enablement, digital transformation, business intelligence, data analytics, testing, infrastructure, EAI and ERP solutions. We are amoung the fastest growing technology firms globally with more than 200 clients and offices in 14 countries.