Leveraging standards: from Market Infrastructures to Regulatory Reporting

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17 November 2016, Madrid
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Market Infrastructures challenges

- Integration of European market infrastructure a political priority for EU governments

- Further integration of market infrastructures in Europe

- Three actions possible for ECB/Eurosystenm:
  - Regulations
  - Catalyst for change
  - Operator of market infrastructure

Use of global standards is a must
ECB experience with standardisation in market infrastructures

- Efficient and reliable real-time straight-through processing of payment and securities settlement transactions
- Major efforts to facilitate integration, through harmonisation and interoperability
- Development of more and more interoperable platforms globally
3 areas addressed from a market infrastructure perspective:

- Retail payments (SEPA)
- Large value payments (TARGET2)
- Securities settlement (T2S)
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New regulatory landscape

CSDR

ESMA

EIOPA

SSM

TR

MiFID2/MiFIR

EMIR

FSB

EBA

www.ecb.europa.eu
New regulatory landscape

Leveraging standardisation experience

Statistics & Analysis

Operations & Transactions

Supervisory
Example: **MMSR** (Money Market Statistical Reporting)

- **ECB Regulation (OJ 16/12/2014):** larger Credit Institutions need to report daily data on money market transactions to the Eurosystem.

- **Data collected:** related to Secured Market, Unsecured Market, Foreign Exchange Swaps and Euro Overnight Index Swaps.

- **First reporting:** as of 1 April 2016 (50 largest credit Institutions).

- **Reporting Instructions:**
  - Established to set up a standardised/highly automated reporting framework.
  - Aligned with ISO 20022 standards, or expand them where appropriate to be easier to implement by the banking industry.
  - Identify the taxonomy of the variables across the different market segments as unique reference for NCBs and credit institutions.
Example: SFT (Secured Financed Transactions)

• **Lack of transparency** in the secured financing market: FSB Recommendations on shadow banking and European Commission proposal for a EU regulation to enhance transparency in the SFTs market

• **Daily trade-level reporting** - Granular reporting required for monitoring and analysis:
  
  • To facilitate more effective macro-prudential monitoring of the possible systemic risks and vulnerabilities arising from SFTs
  • To enhance the micro-prudential supervision (facilitating the monitoring of liquidity risk and credit risks arising from SFTs)
  • To enhance oversight of financial market infrastructures (FMIs) that process SFTs
  • To achieve a better and more in-depth understanding of the SFT market segments relevant for monetary policy implementation
  • To support the monitoring and analysis of developments related to financial integration
Benefits

Quality of information
• Greater consistency
• Less necessity for ex post data reconciliations

Avoiding duplications in data requests
• Reducing reporting burden

More powerful services for users
• Faster reply to new data requests
• Richer information
• Higher data sharing

Economies of scale in data management and supporting IT solutions
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Global challenges

- How to handle increasingly interrelated business segments (e.g. collateral and payments)?
- How to manage high volume of business information from multiple sources?
- How to effectively address the increasing need for (regulatory) reporting to multiple parties for multiple purposes?
- How to address market participants ever increasing requests for efficient and effective non-commercial solutions?
- How to manage globalising markets?

⇒ Opportunities for standardisation
Need of a **common reference model** (incl. Data Dictionary) with **key reference data**

**WHO**
- LEI: Legal Entity Identifier

**TRADES**
- UTI: Unique Transaction Identifier

**WHAT**
- UPI: Unique Product Identifier
Moving forward

- Standardisation of data, a **strategic goal** for all financial actors
- Consideration, **awareness and commitment** at all levels
- Involvement of **all relevant stakeholders** (market participants, public authorities, regulators)
Many thanks for your attention!