

**FIRST DER/VAT/VE**

# 5 Months Remaining until EMIR REFIT:

## How Prepared is the Market?

Over the past couple of years, First Derivative have worked tirelessly with our clients to ensure that they are set-up for success with their EMIR REFIT deliveries and are compliant upon ESMA's 29th April 2024 go-live date.

Our broad involvement across the industry, working across the sell-side, buy-side, brokers, CCPs and trading venues; has put us in a unique position to understand how prepared the market currently is for EMIR REFIT and the key challenges firms will be facing over the next 5 months.

# Market Research

We recently decided to collate responses across our client-base on what the most pressing challenges being experienced are, as well as an indication of their delivery timelines and preparedness for compliance with the looming milestone. These in-depth insights are now allowing us to work with those clients to unravel these issues now, rather than feeling the pain further down the line.

We started with two key questions:

01

At what project stage are firms at in their EMIR REFIT deliveries?

02

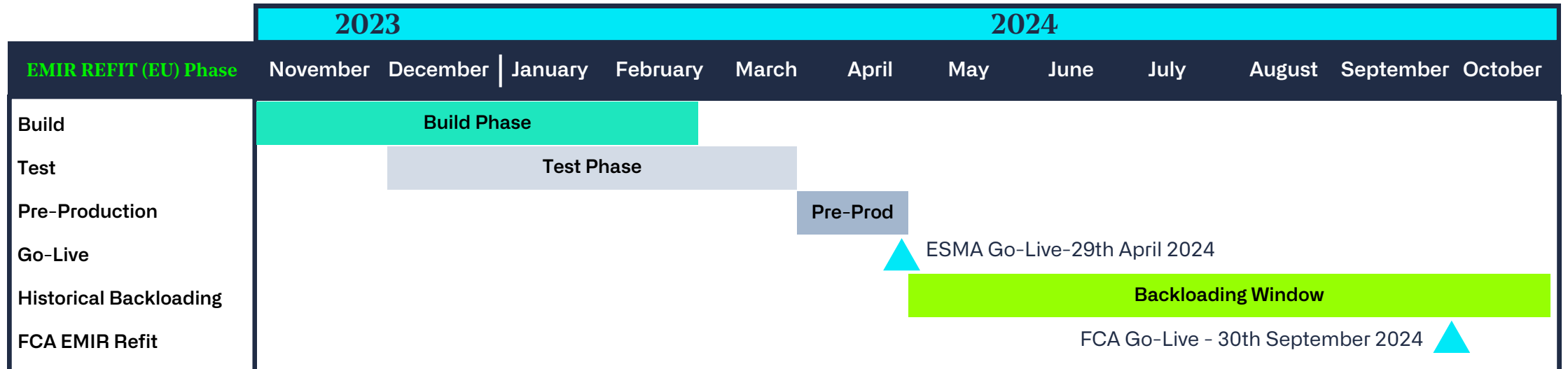
What are the main challenges firms are still facing with EMIR REFIT?

# Timelines

With 5 months remaining, most firms have concluded their analysis and design phases and are moving into implementation.

- 90% of firms have now commenced their build phase.
- 10% of firms are in an advanced position to have also commenced testing. Most are opting to test in parallel to build, highlighting an industry move to a more agile delivery methodology.
- 60% of firms have agreed to have a pre-production window period of at least 1 month in advance of go-live. The remainder are undecided.

The below Gantt chart represents the average delivery timeline of those surveyed -



# Key Challenges

The following summarises these key challenges, ranked by the number of clients who explicitly stated them in their top 5.

## 1

### Data Fields | 75%

Of the 203 fields required by EMIR REFIT, 88 are new and 41 have been amended. However, some data is either unavailable, difficult to source or has unclear requirements. The most prevalent data concerns included -

- Reporting Tracking Number (RTN)
- Non-Standardised Floating Rates
- Delta
- Action & Event Type Combinations
- Post-trade Risk Reduction (PTRR)

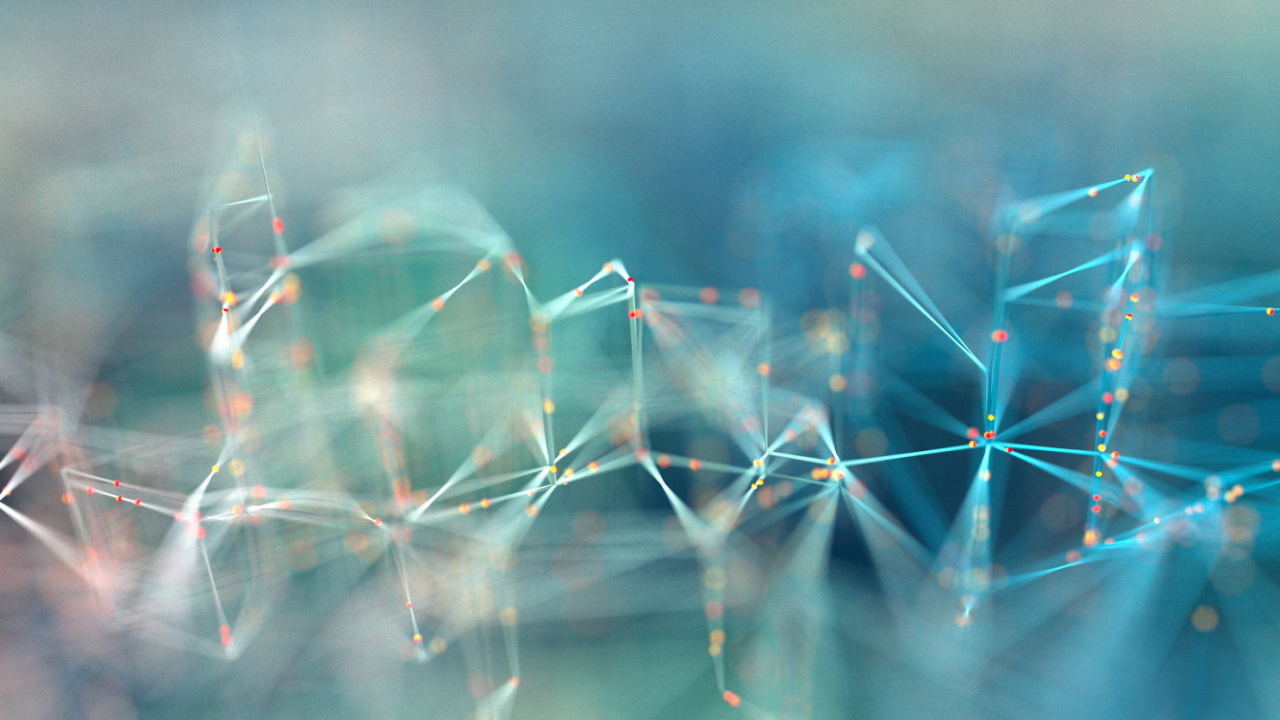
#### Global UTI:

Understanding who has obligation to generate and share the UTI has proved challenging, especially where the trade is cross-jurisdictional, and the UTI waterfall becomes less clear as to who is responsible in each scenario. In addition, ensuring that the generator shares the UTI within T+1 is anticipated to lead to reporting delays.

#### Global UPI:

Many firms are conflicted as to whether UPI is a trade-level attribute, stored alongside trade data, or a reporting-level attribute, sourced by the reporting engine only. If the former, implementation is needed across the entire F2B technology stack.





## 2

### External Dependencies | 50%

Banks are reliant on a plethora of external partners to deliver EMIR REFIT, where delivery is outside of their immediate control. Ranging across 3rd party technology vendors (from booking systems to reporting solutions), trading venues, clearing houses, gateways, brokers, and service providers; these dependencies are more difficult to coordinate which can lead to delivery uncertainty and delays.

## 3

### Internal Factors | 42%

Regulatory projects always experience challenges unique to the firm within which they operate -

- a) **Business activity:** changing trading activity impacting project scope.
- b) **Stakeholders:** lack of engagement, knowledge, skills, or SME availability.
- c) **Historic data quality:** testing and quality assurance is bringing to light previously unidentified data integrity issues with their EMIR reporting, such as missing upstream data, poor data quality and a lack of data lineage documentation. This is distracting resource to remediating historic issues, rather than delivery of the new regulation.







## 4

### Resourcing | 42%

There are many global regulations converging around EMIR REFIT. This has created a deficit of experienced project resource across the industry, especially in testing teams where the work is highly manual in nature and there is a lack of available SMEs. Unfortunately, this pain is likely to continue throughout 2024/25 with FCA, MAS, ASIC, HKMA, CSA and ESMA's MiFID III all bringing in additional changes.

## 5

### Testing | 33%

The focus of EMIR REFIT delivery is now on testing. Given the tight timeline, most banks are running testing in parallel to build work, working in a much more agile environment than previous regulatory deliveries. The sheer scale and volume of testing that needs to be conducted, in conjunction with delayed availability of trade repository UAT environments, highly manual test preparation and a lack of testing resource, is a major cause for concern.





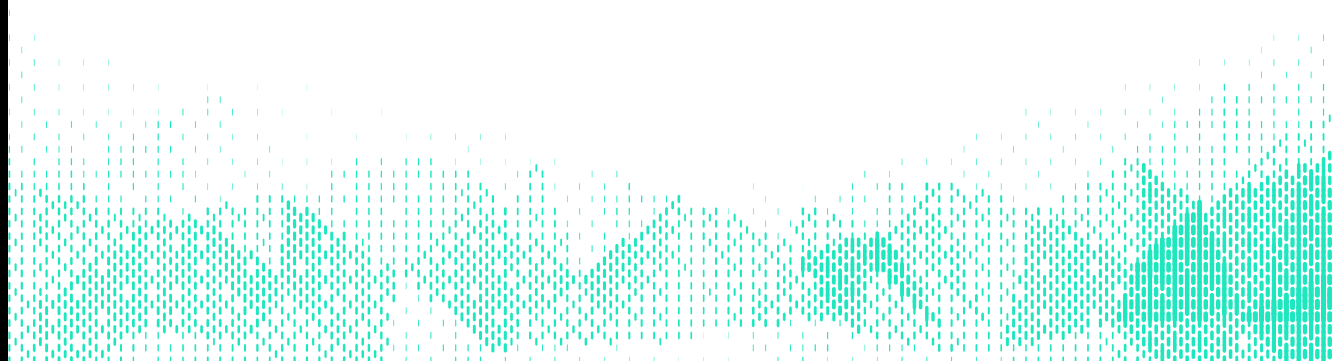


## 6

### Regulatory Ambiguity | 33%

EMIR REFIT regulatory text is fraught with ambiguity when compared to the real world, making it difficult to fully understand the regulatory intent and slowing decision-making. Inconsistencies with other regulations, such as CFTC Rewrite, adds to the pain.

Firms are reliant on industry bodies, such as ISDA and FIA, to provide clear guidance on how the regulation should be interpreted. Delays in finalisation of industry best practice is delaying development on key topics, some of the main culprits being –

1. Global UTI waterfall
  2. Field-level guidance
  3. Errors & omissions reporting
- 





## 7

### Technology Constraints | 33%

Firms are finding design, build and external connectivity more complex and time-consuming than ever before, due to an abundance of outdated (legacy) systems awaiting decommissioning, alongside ambitions to upgrade to more modern tech such as cloud-based reporting, in parallel to implementation. Technology constraints are particularly being felt with the mandated upgrade to ISO-20022.

## 8

### Client Outreach | 33%

Some firms are finding that due to gaps in their counterparty static data, client outreach programmes are required to gather and update CLM systems. These outreaches can be expensive, resource intensive and time consuming due to lack of responsiveness.







## 9

### Pairing & Matching / Reconciliation | 25%

Many firms have recently started deep-diving into the operational elements of EMIR REFIT, with many now finding that their existing EMIR processes for reconciliations, pairing and matching will not be fit for purpose going forward. A significant uplift is required, and so many are now looking to 3rd party solutions to fill this gap, particularly in the reconciliations space.

## 10

### Regulatory Timelines & Scale of Change | 25%

With no indication from ESMA that the compliance date will be pushed back, firms are finding the sheer scale of change difficult to meet within the short timeframe remaining. Delays in internal decision-making and development are eating into the already limited testing window, raising concerns on the quality of reporting output to be expected upon go-live.





# Conclusions

The simple fact that so many different challenges were raised by firms, rather than just the same top 5 trends repeating themselves, highlights the breadth and scale of change that the regulation is bringing in and the problems that come with it.

First Derivative has a structured approach to designing agile teams which results in everyone, both First Derivative and its client, understanding the roles they must play in successful delivery. We have a wealth of expertise and service offerings in business analysis, development, testing and quality assurance to help you overcome these challenges and remain compliant for the long-term.

[Contact us](#)

We would welcome to opportunity to speak to capital market firms on these key topics, to share our thoughts and insights. Similarly, should you need support over the next 5 months with ESMA's EMIR REFIT, or further along the line with any Day 2 items, the FCA's EMIR REFIT version or any of the similar APAC regulations coming in over 2024 / 2025, do not hesitate to get in contact with us.

# Contributors



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## About

For more than 25 years, First Derivative has continuously delivered industry-shaping projects for some of the largest global banks and financial institutions

With a depth of understanding and breadth of experience unequalled in the sector, First Derivative has a hard-won reputation for being able to solve the toughest operational, data, and technology challenges for its clients.

Offering the industry's largest, fully Capital Markets dedicated team, First Derivative is leading the data-driven, digital revolution across the evolving Capital Markets sector. With technical, logistical, and scalable expertise unsurpassed in the industry and a reputation for operational excellence, First Derivative pushes projects further, faster, and always beyond expectations