ESMA_QA_2202

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Additional Information

Level 1 Regulation
European Market Infrastructure Regulation (EMIR) Regulation (EU) No 648/2012- MDP

Topic
* EMIR Reporting

Subject Matter
Reporting of accumulator contracts

Question
(a) For the purpose of reporting under EMIR REFIT, how should OTC accumulator contracts – i.e., derivative contracts in which the buyer enters into an agreement to purchasing a predetermined number of underlying financial instruments at a predefined price, per day - over a specified ‘accumulation’ period, be classified?

(b) How should these contracts be reported under EMIR REFIT?

ESMA Answer

24-05-2024

Original language

(a) Under EMIR REFIT, accumulators shall be classified as either forwards or options, depending on the presence of option features within these contracts. An accumulator contract without any embedded option features should be reported as a forward (‘forward accumulator’), whereas accumulator contracts embedding one or more option features, should be reported as options accordingly.

(b) (i) Forward accumulators should be reported equivalently as forward contracts, as illustrated by the below example.

In the event that a knockout event is triggered, the counterparty should regard it as an early termination of the derivative. This scenario should be reported with Action Type ‘Terminate’ and Event Type ‘Exercise’.

Example 1:

Underlying Share: ABC Limited

Tenor: 12 months

Shares per day: 5,000

Accumulation days: Assuming 20 trading days per month (total accumulation days = 240)

Settlement date: Monthly

Forward Price: EUR 10*

Maximum Notional Amount: EUR 12,000,000**

Price of Underlying Share: Month 1 - EUR 11 / Month 2 - EUR 9.50

Report at inception

Reporting of accumulator contracts

Table	Item	Field	Example
2	9	Product Classification	JESXFC
2	10	Contract type	FORW
2	11	Asset Class	EQUI
2	41	Venue of execution	XXXX
2	43	Effective date	01/01/2024
2	44	Expiration Date	31/12/2024

2	46	Final contractual settlement date	03/01/2025
2	48	Price	10
2	49	Price Currency	EUR
2	55	Notional amount of leg 1	12,000,000
2	56	Notional currency 1	EUR
Fields 2.57 to 2.60 below, are repeatable depending on the number of scheduling periods.			
2	57	Effective date of the notional amount of leg 1	01/01/2024
2	58	End date of the notional amount of leg 1	31/01/2024
2	59	Notional amount in effect on associated effective date of leg 1	1,000,000***
2	60	Total notional quantity of leg 1	12,000,000
2	151	Action type	NEWT
2	152	Event type	TRAD
2	154	Level	TCTN

** Initial forward price should be populated in Field 2.48*

*** Maximum Notional Amount = maximum number of shares x forward price*

Maximum number of shares = shares per day x maximum number of accumulation days

Maximum number of accumulation days = trading days x number of months within tenor

**** On assumption of 20 trading days per month and 5,000 shared per accumulation day.*

In this example, we assume a gearing ratio of 1, in the calculation of the maximum number of shares and notional amount.

Modification after 3rd month execution

Reporting of accumulator contracts

Table	Item	Field	Example
2	9	Product Classification	JESXFC
2	10	Contract type	FORW
2	11	Asset Class	EQUI
2	41	Venue of execution	XXXX
2	43	Effective date	01/01/2024

2	44	Expiration Date	31/12/2024
2	46	Final contractual settlement date	03/01/2025
2	48	Price	10
2	49	Price Currency	EUR
2	55	Notional amount of leg 1	12,000,000
2	56	Notional currency 1	EUR
		Fields 2.57 to 2.60 below, are repeatable depending on the number of scheduling periods.	
2	57	Effective date of the notional amount of leg 1	01/02/2024
2	58	End date of the notional amount of leg 1	29/02/2024
2	59	Notional amount in effect on associated effective date of leg 1	1,000,000***
2	60	Total notional quantity of leg 1	12,000,000
2	57	Effective date of the notional amount of leg 1	01/03/2024
2	58	End date of the notional amount of leg 1	31/03/2024

2	59	Notional amount in effect on associated effective date of leg 1	950,000
2	60	Total notional quantity of leg 1	12,000,000
…	…	…	…
…	…	…	…
2	151	Action type	MODI
2	152	Event type	TRAD
2	154	Level	TCTN

(ii) Option Accumulators should be reported as displayed below.

Example 2:

Underlying Share: XYZ Limited

Tenor: 6 months

Shares per month: 1,000

Settlement date: Monthly

Option 1: Strike Price: EUR 100 (Expiry in 2 month)

Option 2: Strike Price: EUR 105 (Expiry in 6 months)

Total Notional Amount: EUR 620,000

Month 1: Market price EUR 110. Buy 1,000 shares at strike – EUR 100 (option 1);

Month 2: Market price EUR 108. Buy 1,000 shares at strike – EUR 100 (option 1);

Month 3: Market Price EUR 106. Buy 1,000 shares at strike – EUR 105 (option 2);

And so forth, until expiry.

Report at inception

Reporting of accumulator contracts

Table	Item	Field	Example
2	9	Product Classification	OCESCS
2	10	Contract type	OPTN
2	11	Asset Class	EQUI
2	41	Venue of execution	XXXX

2	43	Effective date	01/01/2024
2	44	Expiration Date	28/06/2024
2	46	Final contractual settlement date	02/07/2024
2	55	Notional amount of leg 1	620,000
2	56	Notional currency 1	EUR
Fields 2.57 to 2.60 below, are repeatable depending on the number of scheduling periods.			
2	57	Effective date of the notional amount of leg 1	01/01/2024
2	58	End date of the notional amount of leg 1	31/01/2024
2	59	Notional amount in effect on associated effective date of leg 1	100,000
2	60	Total notional quantity of leg 1	1000
2	132	Option type	CALL
2	133	Option style	EURO
2	134	Strike price	100

2	135	Effective date of the strike price	01/01/2024
2	136	End date of the strike price	29/02/2024
2	137	Strike price in effect on associated effective date	100
2	138	Strike price currency/currency pair	EUR
2	151	Action type	NEWT
2	152	Event type	EXER
2	154	Level	TCTN

Modification after 3rd month exercise of the option

Reporting of accumulator contracts

Table	Item	Field	Example
2	9	Product Classification	OCESCS

2	10	Contract type	OPTN
2	11	Asset Class	EQUI
2	41	Venue of execution	XXXX
2	43	Effective date	01/01/2024
2	44	Expiration Date	28/06/2024
2	46	Final contractual settlement date	02/07/2024
2	55	Notional amount of leg 1	620,000
2	56	Notional currency 1	EUR
Fields 2.57 to 2.60 below, are repeatable depending on the number of scheduling periods.			
2	57	Effective date of the notional amount of leg 1	01/01/2024
2	58	End date of the notional amount of leg 1	31/01/2024
2	59	Notional amount in effect on associated effective date of leg 1	100,000
2	60	Total notional quantity of leg 1	1000

2	57	Effective date of the notional amount of leg 1	01/02/2024
2	58	End date of the notional amount of leg 1	29/02/2024
2	59	Notional amount in effect on associated effective date of leg 1	100,000
2	60	Total notional quantity of leg 1	1000
2	57	Effective date of the notional amount of leg 1	01/03/2024
2	58	End date of the notional amount of leg 1	31/03/2024
2	59	Notional amount in effect on associated effective date of leg 1	105,000
2	60	Total notional quantity of leg 1	1000
2	132	Option type	CALL
2	133	Option style	EURO
2	134	Strike price	100

2	135	Effective date of the strike price	01/01/2024
2	136	End date of the strike price	29/02/2024
2	137	Strike price in effect on associated effective date	100
2	138	Strike price currency/currency pair	EUR
2	135	Effective date of the strike price	01/03/2024
2	136	End date of the strike price	28/06/2024
2	137	Strike price in effect on associated effective date	105
2	138	Strike price currency/currency pair	EUR
2	151	Action type	MODI
2	152	Event type	EXER
2	154	Level	TCTN