2023 Report on Quality and Use of Data
Webinar 26 April 2024

ESMA12-1209242288-852 2023 Report on Quality and Use of Data
# Data reporting regimes – Factsheet 2023

<table>
<thead>
<tr>
<th></th>
<th><strong>EMIR</strong></th>
<th><strong>SFTR</strong></th>
<th><strong>MiFIR transactions</strong></th>
<th><strong>Funds</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14.7 Bn life cycle events</td>
<td>620 Mn life cycle events</td>
<td>6.9 Bn transactions reported</td>
<td>461 MMFs and 125 managers</td>
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<tr>
<td></td>
<td>30.6 Mn average open positions</td>
<td>3 Mn average number of open SFTs in 2023</td>
<td>20 Mn transactions reported daily</td>
<td>35,689 AIFs and 5,532 AIFMs</td>
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<tr>
<td></td>
<td>180k reporting counterparties</td>
<td>22k reporting counterparties</td>
<td>6.7k executing firms</td>
<td></td>
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<tr>
<td><strong>MiFIR transparency</strong></td>
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<td></td>
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<tr>
<td></td>
<td>1.9 Bn transactions reported&lt;sup&gt;1&lt;/sup&gt;</td>
<td>515 outstanding securitizations</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>219 Mn transactions published by APAs&lt;sup&gt;2&lt;/sup&gt;</td>
<td>676 Bn EUR aggregated CPB</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>301 STS public deals</td>
<td></td>
<td></td>
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</tbody>
</table>

<sup>1</sup> Transaction reported to ESMA system by trading venues and APAs
<sup>2</sup> Includes APAs under ESMA direct supervision only
2023 Report on Quality and Use of Data

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Data quality and use in the context of ESMA data strategy

Mobilising ESMA data assets to serve its strategic and thematic objectives

**Objective A**  
Enhanced data hub  
- Share data with national competent authorities by on-boarding them to the ESMA data platform

**Objective B**  
Access to data of public interest  
- Publication of statistics, working towards interactive dashboards  
- European Single Access Point (ESAP) will significantly increase scope of information centrally available at ESMA

**Objective C**  
Data-driven Supervision  
- Making available to supervisors the data, information and tools enabling data-driven supervision (e.g. develop a proof-of-concept for the detection of market abuse using AI techniques)

**Objective F**  
Systematic data use  
- Migration of all datasets and analysis to the ESMA Data Platform  
- Allows fast, efficient and collaborative data use by ESMA users (e.g. combination of sources)

Enabled by the ESMA Data Platform
Use of financial data by EU regulators

• **Data plays a critical role** in the identification and monitoring of risks to the integrity, orderly functioning and stability of financial markets.

• **Data directly supports** ESMA, NCA, ECB and ESRB decision making in the areas of **policy making, supervision and monitoring of financial markets risk analysis**.

• The report provides a broad overview of use-cases implemented by data users. Where possible, links to publicly available the report included.
Key development impacting data quality: EMIR

EMIR DQIs and dissemination of the results to NCAs

- Downward trend in the difference in the number of trades (DQ1) and positions (DQ2) reported by two counterparties trading with each other
- After significant drop until 2021, trades reported with missing valuation continue to decrease albeit at a lower pace (DQ10)
Key development impacting data quality: MiFIR

Supervision of ARMs and APAs

- Periodic information from supervised APAs and ARMs to monitor data quality (e.g., ingestion volumes, rejection rates)
- Low rejection ratios from both APAs and ARMs (~46% for ARMs)
- One APA successfully addressed reporting issues over the course of 2023.
- Significant improvements in the average time for executing entities to submit transactions to APAs compared to 2022.
Key development impacting data quality

MiFIR transparency data

- Manual on post-trade transparency
  - New level 3 tool with concrete examples
  - Practical guidance to enhance data quality

- Transparency publications
  - Periodic publications of aggregated figures for the application of MiFIR transparency rules

Data Quality Engagement Framework

- Updated in 2023, quarterly checks shared with NCAs and DRSPs
- Risk-based approach to address most impactful issues

Data quality updates

- Completeness: stable, good
- Accuracy: better for equity than non-equity instruments
- Issues under resolution: classification of bonds, fractional shares, OTF reporting practice

Securitisation

- Daily monitoring of simple, transparent and standardised (STS) register
- Monitoring over-reliance on “No Data” (ND) Option
- Consultation on possible changes to the securitisation disclosure template

Chart 27
Completeness of data, based on the usage of ND options

Note: ND1: Percentage of fields entered as ‘ND1’, ND2-4: Percentage of fields entered as ‘ND2’, ‘ND3’ or ‘ND4’.
ND1: where the required information has not been collected because it was not required by the lending or underwriting criteria at the time of origination of the underlying exposure; ND2: where the required information has been collected at the time of origination of the underlying exposure but is not loaded into the reporting system of the reporting entity at the data cut-off date; ND3: where the required information has been collected at the time of origination of the underlying exposure but is loaded into a separate system from the reporting system of the reporting entity at the data cut-off date; ND4: where the required information has been collected but it will only be possible to make it available at a date taking place after the data cut-off date.
Sources: Securitisation repositories, ESMA
Key development impacting data quality: Funds
AIFMD and MMFR DQIs and dissemination of the results to NCAs

**Alternative investment funds**

- Long term positive impact on quality since introduction of Data Quality Engagement Frameworks
- Data quality did not improve in 2023 compared to 2022 and information on leverage (for AIFMD) needs further improvement
- Actions undertaken: new validation rules, guidance on reporting fields.
- Upcoming: risk-based approach, increase frequency of data quality cycles.

**Money market funds**

- Chart: Average number of warnings in AIFMD
  - 2019: 10%
  - 2020: 20%
  - 2021: 30%
  - 2022: 40%
  - 2023: 50%

- Chart: Average number of warnings in MMFR
  - 2021: 40%
  - 2022: 30%
  - 2023: 20%

Note: Average number of warnings generated in the DQEF targeting end of previous year data by data quality dimension. Sources: AIFMD, ESMA.
Providing more transparency on data quality actions

Extract of data quality indicators – EMIR

<table>
<thead>
<tr>
<th>DQI</th>
<th>Description</th>
<th>Dataset</th>
</tr>
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<tbody>
<tr>
<td>1. Difference in number of outstanding trades</td>
<td>A difference in the number of outstanding derivatives at trade level between a given pair of counterparties as reported by the two sides. Trades where other counterparty is non-EEA or is identified with a client code are excluded.</td>
<td>TSR</td>
</tr>
<tr>
<td>2. Difference number of outstanding positions</td>
<td>A difference in the number of outstanding derivatives at position level between a given pair of counterparties as reported by the two sides. Trades where other counterparty is non-EEA or is identified with a client code are excluded</td>
<td>TSR</td>
</tr>
<tr>
<td>3. Difference in number of reports with AT=N</td>
<td>A difference in the number of reports with action type ‘New’ submitted during the previous month by the two sides. Trades where other counterparty is non-EEA or is identified with a client code are excluded</td>
<td>TAR</td>
</tr>
</tbody>
</table>

✓ Methodology of the data quality indicators
- EMIR
- MiFIR Transparency (FITRS)
- AIFMD
- MMFR

✓ Indicators calculated for each jurisdiction and distributed to national competent authorities

Extract of codes to download APA data

<table>
<thead>
<tr>
<th>EU APA Name</th>
<th>Sample code</th>
</tr>
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</table>
| Bloomberg Data Reporting Services | import requests
|                       | response = requests.request("GET", url)
|                       | print(response.text) |
| CBOE Europe | import requests
|                       | response = requests.request("GET", url)
|                       | print(response.text) |
| MarketAxess Post-Trade | import requests
|                       | url = "https://<PERSONAL_TOKEN>_cloudfront.net/TRADES/TRNL_APA<YYYY-MM-DD>-csv"
|                       | response = requests.request("GET", url)
|                       | print(response.text) |

✓ Automation of APA post-trade transparency data download
- Public data on transactions to be published free of charge after 15-min under MiFIR
- Codes provided in Python
- Each APA (Bloomberg, CBoE, MarketAxess, Nasdaq, Tradeweb and Unavista) has its own method of providing data
Next steps on data quality

- ESMA and the NCAs will continue to work on the data quality framework in 2024:
  - Increase frequency of data quality cycles (e.g. for funds)
  - Facilitate sharing of data quality results with NCAs
  - Systematically adopt a risk-based approach for all datasets
  - Adaptation of the data quality framework in the context of the EMIR Refit go-live (29 April)
  - Provide input related to data quality in the context of the MiFIR review

- Continued cooperation with NCAs and stakeholders such as Repositories, DRSPs and reporting entities is crucial to achieving further improvements to data quality under the relevant reporting regimes.
Q&A