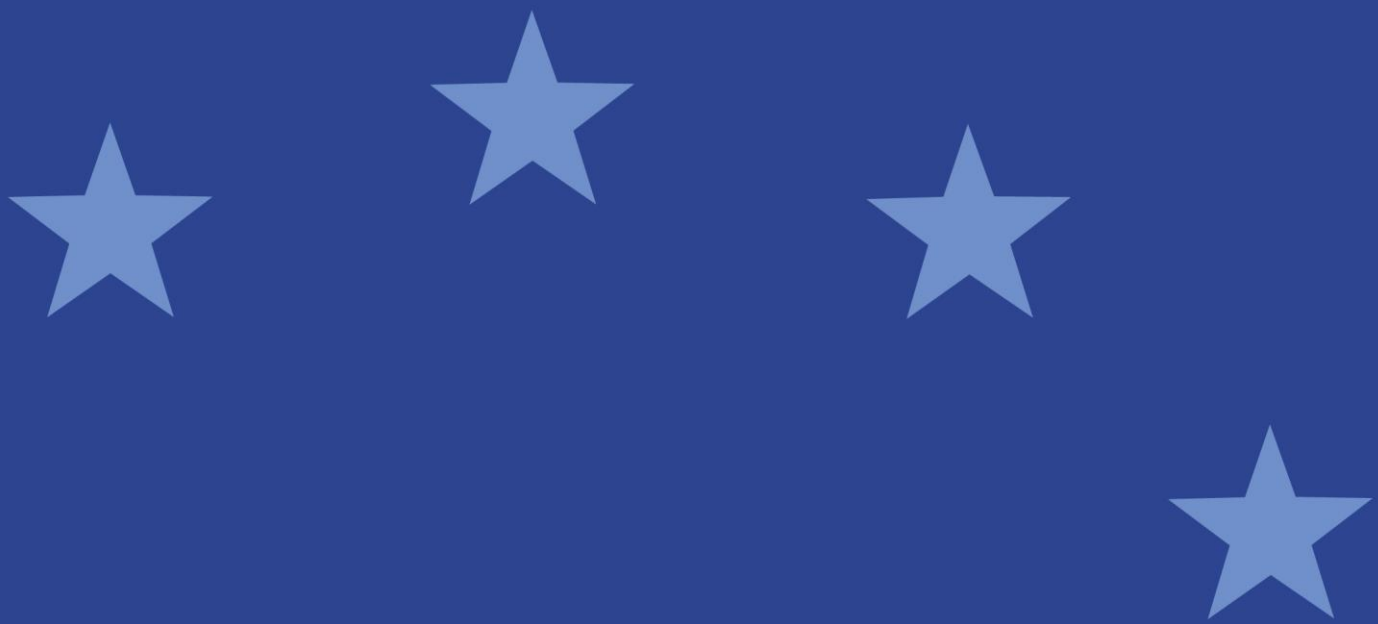
esma European Securities and Markets Authority

Single Access Point to EMIR Transaction Data

Annex 2.3 - Project Presentation Document (PPD)



ESMA/2016/1144 Annex 2.3

Versions

Date	Version	Description	Author
31/07/2014	0.1	Draft	
25/08/2014	0.1	Review of the document	
26/08/2014	0.2	Update of the document	
29/08/2014	0.3	Cost elaboration	
02/09/2014	1.0	Final review	
22/10/2014	2.0	Revision	
08/12/2014	3.0	Revision	

Table of acronyms

Acronym	Description
ARM	Approved Reporting Mechanism
EC	European Commission
EU	European Union
IF	Investment Firm
ITMG	IT Management and Governance Group
MDRWG	Market Data Reporting Working Group
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
MS	Member States
MTF	Multilateral Trading Facility
NCA	National Competent Authority
OTF	Organised Trading Facility
RM	Regulated Market
SI	Systematic Internaliser
TV	Trading Venue

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A. Project definition

1. Problem statement

EMIR came into force on 16 August 2012 and introduced requirements aimed at improving the transparency of OTC derivatives markets and to reduce the risks associated with those markets.

One of the key requirements is the obligation of reporting all derivatives contracts to Trade Repositories that are obliged to centrally collect and maintain these records. They play a central role in enhancing the transparency of derivative markets for regulatory supervision thus contributing to reducing risks to financial stability. Under EMIR, ESMA has direct responsibilities regarding the registration and supervision of TRs and so far ESMA has authorised 6 TRs that operate under EMIR requirements.

Reporting to Trade Repositories started on 12 February 2014.

1.1 Problem impact and urgency

Neither the Regulation nor the subsequent Technical Standards prescribe technical arrangements for National Competent Authorities to access TR data. This was left at the discretion of the TRs, and therefore each TR has so far adopted its own arrangements.

After the reporting go-live authorities tried to access the trade data and encountered several major issues due to different, sometimes not sufficient tools and functionalities provided by TRs (e.g. the lack of a common format and channels for data access that would enable regulators to easily compare and aggregate data received from various TRs). Considering the number of TRs which all authorities should approach in order to access the data, the total cost for regulators is considered to be significant.

The above mentioned issues may hinder NCAs' ability to performing their supervisory duties. Therefore, a solution allowing an easy access to trade data should be implemented as soon as possible.

1.2 Interrelations with other problems

No interrelation with other problems is foreseen at this stage of the project.

1.3 Business processes impact

No business process analysis has been undertaken as such. However the impact of the solution on the current ESMA processes is expected, in particular in the area of Trade Repositories supervision as well as data collection for different ESMA's uses.

The impacted business processes belong to the following business categories:

Financial market surveillance		CRA III	
Economic Research	X	CSD Regulation	
Product intervention		Peer reviews, BUL and Mediation	
Coordinated regulatory approach	X	Training	
Packaged Retail Investment Products		Joint Committee	
CRAs		International Co-operation	
Post Trading		Corporate Reporting	
Enforcement/Independent Investigation		EU IT Projects	X
Revision of MiFID & MAD		Stakeholder management	
European Investment Fund Legislation		Ethics and Data Protection	
Corporate Finance		Organisational support	

1.4 Expected business

It is expected that the solution will allow NCAs and ESMA to reduce the cost of accessing the trade-level data collected and stored by TRs. Using the same technical data format[1] and data querying mechanisms for all TRs will also enhance comparability of data sets provided by each TR.

1.5 Data classification

Data set	Confidentiality level*	Integrity level**	Availability level***
Transaction data	To be specified	To be specified	To be specified

2. Possible alternatives

The IT Steering Group discussed the possible alternatives for accessing the Trade Repositories data and decided to propose the alternative described below.

2.1 Alternative C: Full logical centralisation

This scenario assumes that a central access point is built by ESMA. The solution should allow collecting data queries from NCAs, forwarding them to TRs and collecting responses to the queries from TRs, providing individual responses from each TR to the relevant NCA.

[1] By the term 'technical format' we understand the format and the structure of the file to be used to exchange the data. It defines how the content of the information (the list of fields that was defined in the EMIR RTS) should be exchanged between IT systems and enabled to the users (e.g. CSV format, XML format with defined data schema, etc.).

Strengths	Weaknesses
• NCAs would not need to connect to TRs individually but to the ESMA access point only.	• This solution would require significant investment from ESMA. It is also expected that TRs' implementation cost would be high. • Long development time.
Opportunities	**Threats**
• The same platform (with some modifications) could be used to access position-level data in the future.	• N/A.

3. Project description

3.1 Legal basis

The legal basis for this project is the Article 81.2 of EMIR. According to that article, TRs shall ensure that the entitled entities, including NCAs and ESMA, have direct and immediate access to the details of derivatives contracts they need to fulfil their respective responsibilities and mandates.

However, it should be noted that neither the Regulation nor the subsequent Technical Standards prescribe any specific technical arrangements for the transaction data access. In particular the development of the single access point that is the objective of this project was not requested by any of the legal acts.

3.2 Project objectives

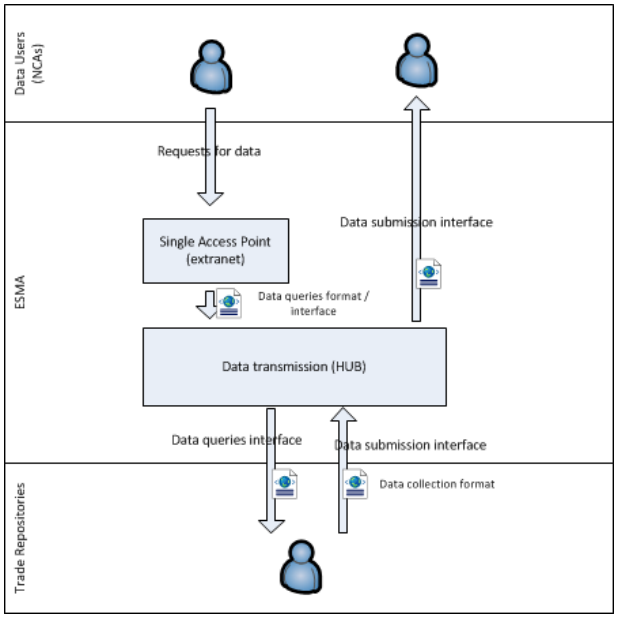
The objective of the project is to provide a unified access to the transaction data stored by TRs under current EMIR legislation.

3.3 Project scope

ESMA will provide NCAs with an extranet to submit data queries and will distribute those queries to Trade Repositories (TRs). A single query may allow requests to different TRs – but a separate file per TR will be received by the NCAs.

ESMA will receive trade data from TRs and will deliver them to respective NCAs via the HUB. TR will be asked to comply with a common technical format[2] for the data delivery. The following schema presents the main features to be delivered by the project:

[2] By the term 'technical format' we understand the format and the structure of the file to be used to exchange the data. It defines how the content of the information (the list of fields that was defined in the EMIR RTS) should be exchanged between IT systems and enabled to the users (e.g. CSV format, XML format with defined data schema, etc.).



The following features are out of the project scope:

a) ESMA will not merge the data received from TRs, nor perform quality checks nor store the data. ESMA will only provide NCAs with data as received from TRs as a response to NCAs queries.

b) Access to the position data is excluded of the scope of the project. Since a similar solution could be used to access both transaction and position data (i.e. a logical web portal), extending the trade data access portal also to position data may be studied in the future.

c) Provision of access to Competent Authorities other than ESMA's NCAs is out of scope of the project.

3.4 Project deliverables

The deliverable of this project should be an IT system which allows for a centralised access to TRs' trade-level data.

3.5 Success criteria

The main success factor for the project will be the delivery of the system within the defined scope and timeline that will lead to decrease the cost to access TRs' data.

3.6 Assumptions

There is a clear dependency on the acceptance by TRs of the interface specifications and of the implementation of their own side of the interface. Therefore before the finalisation of the design of the system the proposed requirements should be consulted with TRs in order to

ensure the implementation feasibility and pre-empt any issues that might occur in later stages.

On volumes, it is estimated that TRs will receive 30 million reports / day.

Using this solution to give access to other CAs (ECB, ESRB, etc…) would optimise the TRs' costs (no need to run separate solutions for NCAs and the other authorities). However, involvement of other counterparties adds complexity to the project and may impact the schedule. So far it is assumed that the solution will be used by NCAs and ESMA only. Enabling the tool to other users is currently out of scope and may be studied in the future.

The project planning was based on the assumption that existing framework contracts could be used by ESMA to purchase any necessary tools and services.

3.7 Constraints

The project timeline should be agreed with TRs. It may be impacted by other ongoing projects run by them.

3.8 Risks

TRs have already developed web portals and specific data formats intended to fulfil the requirements set out by the Article 82 of EMIR. Moreover, neither EMIR itself nor the subsequent Technical Standards require TRs to harmonise the data access facilities. Depending on the IT architecture and specific solutions that TRs have implemented so far, some strategies and IT capabilities needed to develop the single access point may require TRs to rebuilt their current systems and therefore lead to additional complexity of the project and require long implementation time. In consequence, the project scope and timeline might be impacted. ESMA will mitigate that risk by communication with TRs from the beginning of the project in order to agree on the design of the system that would allow achieving the project objectives in a cost and time efficient way.

3.9 Approach towards corporate, common systems and reusability

In the course of the project ESMA will study the possibility to reuse already existing applications as building blocks for trade data access point. In particular, the ESMA HUB can be used as a platform for the exchange of data files between counterparties.

B. Project organisation

4. Governance information

4.1 System owner

ESMA Markets Division.

4.2 System supplier (if known)

ESMA IT Team.

4.3 Approving authority

ESMA Head of Markets Division and Market Data Reporting Working Group.

C. Project deliverables

The following deliverables will be prepared during the project:

a) Business Requirement Document;

b) Functional Specification Document;

c) Technical Specifications;

d) Software Architecture Document;

e) Installation Guide;

f) Test Plan;

g) Test Specifications;

h) Graphical User Interface User Manual;

i) Operations Guide;

j) Infrastructure Document;

k) IT system in production.

D. Timetable

5. Budget and planning

5.1 Estimated effort

The budget estimate below makes the assumption that only the countries having expressed a commitment after the Board of Supervisors meeting held on 21 November 2014 take part to the project.

Year	2015	2016	2017	2018
System design	100,000 €			
Implementation of data transfer mechanism	50,000 €			
Implementation of data query portal	300,000 €			
Licences and infrastructure	150,000 €			
Tests and deployment	100,000 €			
Maintenance		300,000 €	300,000 €	300,000 €
TOTAL	**700,000 €**	**300,000 €**	**300,000 €**	**300,000 €**

5.2 Estimated timing

T0 is when the delegation agreement has been signed by the Parties and ESMA's Board of Supervisors has adopted the amended budget required for the Delegation to take place.

The following table summarises the indicative timetable for the development of the system:

Milestones	Deliverables	Dates
System design	Requirements and specifications	T0+3
Implementation	IT system, testing environments	T0+10
Tests	System tested, bugs fixed	T0+12
Go-live	System in production, system documentation	3

5.3 Estimated benefits

Not applicable.

5.4 Funding source

The project will be funded by special contributions for the NCAs' delegated IT projects.

E. Budget

6. Set-up costs

Internal resources:

It is estimated that the following internal ESMA resources are required for the setup of the functions incumbent on ESMA under this project.

Task	Workdays
Project support / PMO	110
TOTAL	**110**

Financial resources:

Task	Amount
System design	100,000 €
Development	500,000 €
Testing and deployment	100,000 €
TOTAL	**700,000 €**

The estimated annual maintenance cost will be 300,000 €.