



## **Trade Repository Service**

**White Paper**

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## **Definitions<sup>1</sup>**

**Central Counterparties (“CCPs”)** – A legal entity that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer.

**Clearing Members (“CMs”)** – An undertaking which participates in a CCP and which is responsible for discharging the financial obligations arising from that participation.

**Derivative** – A financial instrument as set out in points (4) to (10) of Section C of Annex I to Directive 2004/39/EC as implemented by Article 38 and 39 of Regulation (EC) No 1287/2006.

**European Market Infrastructure Regulation (“EMIR”)** – Regulation (EU) 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories.

**European Securities and Markets Authority (“ESMA”)** – ESMA is the financial regulatory body charged with implementing the EMIR regulations.

**Financial Counterparty (“FC”)** – Defined by reference to several pre-existing categories of entities authorised in accordance with certain European Directives, including investment firms, credit institutions and alternative investment funds.

**Implementing Technical Standards (“ITS”)** – With regard to trade reporting, the ITS specify: (a) the format and frequency of the reports for the different classes of derivatives; and (b) the date by which Derivatives contracts shall be reported, including any phase in for contracts entered into before the reporting obligation applies.

**Legal Entity Identifier (“LEI”)** – A reference code to uniquely identify a legally distinct entity that engages in a transaction.

**(National) Competent Authority (“(N)CA”)** – Regulatory bodies of the countries making up the European Union and those of third-party countries who will oversee entities reporting to ESMA under the EMIR regulations.

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<sup>1</sup> Several of these definitions are still subject to final rulemaking by the European Securities and Markets Authority and the European Commission. These definitions provide context for determining how a firm may prepare itself for new derivative data reporting requirements; however, firms should rely on the advice provided by their legal counsel.

**Non-Financial Counterparty (“NFC-”)** – Defined as an undertaking established in the Union other than central counterparties and the entities that fall under the category of financial counterparties and have not exceeded the clearing threshold.

**Non-Financial Counterparty (“NFC+”)** – Defined as an undertaking established in the Union other than central counterparties and the entities that fall under the category of financial counterparties and have exceeded the clearing threshold.

**Over-the-Counter Derivative (“OTC”)** – A Derivative contract the execution of which does not take place on a regulated market as within the meaning of Article 4(1)(14) of Directive 2004/39/EC or on a third-country market considered as equivalent to a regulated market in accordance with Article 19(6) of Directive 2004/39/EC.

**Regulatory Technical Standards (“RTS”)** – With regard to trade reporting, the RTS specify the details and type of the reports to be reported to trade repositories for the different classes of Derivatives. These reports are to contain at least: (a) the parties to the contract and, where different, the beneficiary of the rights and obligation arising from it; and (b) the main characteristics of the contracts including the type, underlying maturity, notional value, price, and settlement date.

**Trade Repository (“TR”)** – A legal person that centrally collects and maintains the records of Derivatives.

**Unique Product Identifier (“UPI”)** – An agreed unique identifier for each product reported to a TR.

**Unique Trade Identifier (“UTI”)** – An agreed unique identifier for each trade reported to a TR.

## **Executive Summary**

IntercontinentalExchange, Inc. (“ICE”) offers active participants in the credit, equities, interest rate and commodity trading markets a trade repository (“TR”) service that leverages a widely accepted technology platform, ICE Trade Vault Europe Limited (“ICE Trade Vault Europe”). This TR service applies an industry-standard confirmation service and relies on data delivery protocols that provide seamless integration and workflow compatibility for a wide range of internal and third party systems. ICE Trade Vault Europe is a high-performance, high-volume transaction recording and reporting service built on a responsive, scalable and flexible architecture. ICE Trade Vault Europe offers storage and retrieval features that meet applicable global regulations and supports the compliance efforts of market participants as they transition to new regulatory regimes.

The regulatory reporting of Derivatives transactions is a fundamental component of various global regulatory initiatives to increase transparency in Derivatives markets. In Europe, the European Market Infrastructure Regulation (“EMIR”) requires market participants to report trade details on Derivative transactions to a TR registered with the European Securities and Markets Authority (“ESMA”). To help meet these requirements, ICE is leveraging its existing and extensive infrastructure to submit trade data to ICE Trade Vault Europe. ICE Trade Vault Europe also accepts data from ICE eConfirm and ICE Link. These electronic confirmation and affirmation matching services are widely used by firms in the credit, commodity and energy markets. Customers are able to extend their existing ICE eConfirm and ICE Link interfaces to meet TR reporting requirements. ICE seeks to ease regulatory burdens for its customers by leveraging existing architecture and interfaces to minimise their cost of development and compliance.

ICE Trade Vault Europe supports specific goals of the EMIR legislation and the regulatory technical standards (“RTS”) by resolving duplicate records, standardising reference data and permitting multiple parties to submit and query a secure repository on a real-time or ad hoc basis. ICE Trade Vault Europe can create unique identifiers for OTC transactions and exchange traded Derivative contracts (“ETDs”). The TR Service also provides valuation and collateral data reporting, a key requirement of the new legislation. ICE Trade Vault Europe has controls and multi-tiered rights of access functionality to ensure confidentiality of trade data and users. A support team is available on a 24/6 basis to provide technical and operational support. On 28 November 2013, ICE Trade Vault Europe was approved as a TR by ESMA and therefore will be operational during the first quarter of 2014.

## **Overview: Trade Repositories**

Many countries are contemplating new legislation and rules to regulate the Derivatives market. A common theme of these efforts is the tracking and public reporting of exchange-traded and OTC data related to Derivative transactions. In Europe, EMIR requires the reporting of all Derivative transaction data to newly created market entities, TRs. While the U.S. was the first country to finalise rules related to repositories, Europe finalised RTS on trade reporting shortly thereafter in 2013. The fundamental purpose of TRs is to serve as a central database that is easily accessible to ESMA, relevant competent authorities, the European Systemic Risk Board and relevant central banks. TRs are required to register with ESMA and meet compliance requirements by:

- Storing the details of eligible cleared and non-cleared Derivative transactions;
- Recording confirmations and life cycle events related to those transactions;
- Receiving valuation and collateral data;
- Calculating and reporting position data;
- Aggregating and publishing public trade data reports;
- Managing data reporting obligations; and
- Maintaining procedures to ensure data security.

ESMA has established an implementation timeline that requires reporting for all asset classes to begin on 12 February 2014.<sup>2</sup> Given this timeline, customers currently have access to the ICE Trade Vault Europe DEMO environment for integration and conformance testing. ICE Trade Vault Europe's participant agreements are available upon request. Customers are encouraged to review these agreements shortly thereafter to ensure that they are in place prior to the reporting date.

ICE Trade Vault Europe is capable of accommodating market participants that have reporting obligations in both the U.S. and the European Union. In this case, a participant can send one message containing all required fields for both the Commodity Futures Trading Commission ("CFTC") and ESMA reporting and the trade will be routed to the selected jurisdiction

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<sup>2</sup> Two exceptions to the reporting start date of 12 February 2014 currently exist: (1) existing trades – if a trade is outstanding on 12 February 2014, then that trade must be reported to a TR within 90 calendar days, and if a trade is not outstanding on 12 February 2014, but remained outstanding on 16 August 2012 (i.e. the date that EMIR came into force) then that trade must be reported to a TR within 3 years; (2) collateral and valuation data – reporting of collateral and valuation data is extended by 180 days from the reporting start date.

accordingly. Regulators' access to trade data will be limited to their jurisdictional view only. Please be advised that a participant with reporting obligations in both the U.S. and European Union will be required to sign two separate participant agreements.

### **Key Data Sources**

ICE Trade Vault Europe will build upon ICE's widely accepted trading and clearing infrastructure as well as the ICE eConfirm and ICE Link services. Market participants will have a clear path through a complex regulatory environment to fulfill their reporting obligations. Given the wide adoption by market participants, ICE eConfirm and ICE Link serve as the front-end platforms for reporting transactions to ICE Trade Vault Europe. This enables existing ICE eConfirm and ICE Link participants to use their long-established connectivity solutions with as few modifications as possible. Given the short timeframes required for compliance, this design significantly minimises the technical effort for market participants.

### **Responsibility to Report**

Article 9 of EMIR states that both counterparties and CCPs "shall ensure that the details of any Derivative contract they have concluded and of any modification or termination of the contract are reported to a trade repository . . . no later than the working day following the conclusion, modification or termination of the contract." Additionally, both counterparties and CCPs are entitled to delegate the reporting of the details of a Derivative contract to the other counterparty or to a third party. Regardless of this dual reporting structure, both counterparties and CCPs are required to ensure that the details of their Derivative contracts are reported without duplication. Finally, EMIR does not allow for reporting exemptions.

### **Delegated Reporting**

Under EMIR, counterparties or CCPs that are subject to the reporting obligation may delegate the reporting of the details of Derivative contracts. A counterparty or a CCP can delegate reporting to its opposing counterparty, its CCP or any third-party service provider. Despite delegation, a counterparty or CCP shall always ensure that the details of their Derivatives contracts are reported without duplication.

As such, ICE Futures Europe (the "Exchange"), as a third-party service provider, will report transactions executed on, or pursuant to the rules of, the Exchange to ICE Trade Vault Europe in order to satisfy reporting obligations of the Exchange's Members and the Members' customers under Article 9 of EMIR. Additionally, as a service to their Clearing Members, the ICE CCPs (including ICE Clear Europe and ICE Clear Credit) will report all transactions cleared on their

respective facilities to ICE Trade Vault Europe if said transactions have a reporting obligation under EMIR.<sup>3</sup>

### **Counterparty Data and Common Data**

European regulations provide for the submission of “counterparty data” and “common data” for a Derivative contract. Counterparty data contains information relating to the individual counterparties to a contract. Conversely, common data contains details pertaining to the Derivative contract itself. All parties to a Derivative contract must ensure counterparty and common data are reported to a TR.

As noted before, EMIR and the ESMA RTS allow counterparties to delegate the reporting of a contract to the other counterparty or to a third party, including a CCP or registered exchange. Where one counterparty or third party reports on behalf of the other counterparty or both counterparties, the details reported should always include the full set of details. For example, where one report is made on behalf of both counterparties by one counterparty, this report must contain counterparty data in relation to *each* of the counterparties, and common data should only be reported once.

For cleared trades, where an existing reportable contract is submitted and accepted for clearing by a CCP, clearing should be reported to a TR as both modification and termination events by the reporting entity.

### **Mark to Market Value and Collateral Data**

Two distinct elements of counterparty data include market to market (or mark to model) values and collateral data. Only CCPs are required to report valuation data for cleared trades. For non-cleared trades, counterparties are required to report this information daily. Article 10 of EMIR grants non-financial counterparties under the clearing threshold an exception to reporting this information.

One of the primary duties of CCPs is the calculation of contract settlement values, which forms the basis of margin requirements or collateral data. This duty best positions CCPs to report valuation and collateral data of ETD transactions to TRs. Where a counterparty does not collateralise on a transaction level basis, counterparties shall report to a TR the collateral posted on a portfolio basis. In this case, the reporting counterparty must report a code identifying the portfolio of collateral posted to the other counterparty related to the reported contract.

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<sup>3</sup> In brief, all European counterparties are subject to the reporting obligation set forth in Article 9 of EMIR except individuals and central banks.



## **Exotic Trades**

Based on ICE's previous experience with processing structured transactions or exotic trades, these types of transactions are not easily accommodated by electronic submission. Therefore, generic product templates allow participants to submit key trade details and additional details via a paper upload of the full trade terms. The reportable fields will encompass more details to accommodate exotic trades. New products are set up within ICE eConfirm to allow participants to submit these exotic trades electronically.

## **Lifecycle Events**

Regulations require the reporting of all changes to a transaction that occur during its existence. In recording these post-trade events, ICE Trade Vault Europe utilises the lifecycle approach to track changes. This approach efficiently processes the submission of post-trade events (e.g., bust, modify terms, early termination and novation) as these events transpire. ICE Trade Vault Europe defined a series of standard events and a process for tracking each. Reporting parties submit bilateral lifecycle events to ICE eConfirm via web-form entry or API.

## **Unique Identifiers**

Industry standards are an essential component of ICE Services and regulators seek to have a range of market participants coalesce around unique identifiers for products, transactions and market participants. ICE has a strong record of working with trade groups and standards-making bodies to create and implement solutions. ICE's repository services continue this effort as it relates to development of unique identifiers. Examples of prior industry collaboration include:

- **Commodity Futures Trading Commission ("CFTC") Data Harmonization Effort:** ICE Trade Vault, LLC, a U.S.-based Swap Data Repository ("SDR"), actively participates in data harmonization efforts with other SDRs. This effort will initially focus on the credit asset class with the mandate to standardize SDR data reported to the CFTC.
- **International Swaps and Derivatives Association:** 2005 Commodity Definitions, NYMEX December 2008 Option Expiration and U.S. Crude Oil & Refined Petroleum Products Annex.

Regulators prescribed the creation of unique identifiers (Unique Trade Identifiers, Unique Product Identifiers, and Legal Entity Identifiers) based on open standards that can be internationally adopted. Regulation states Unique Trade Identifiers ("UTIs") shall be assigned to a transaction by counterparties, CCPs or TRs.

Unique Product Identifiers (“UPIs”) will simplify trade processing and reporting for an asset class. The commodity and energy asset class is dynamic and innovative in respect to product development. Central coordination is necessary to prevent duplication of UPIs. ICE Trade Vault Europe will utilise its own taxonomy for UPIs based on existing ICE Trade Vault product codes. ICE Trade Vault Europe will issue UPIs and maintain reference data representation of each commodity product. ICE Trade Vault Europe will work with market participants and regulators to develop industry standards.

### **Limited System Development**

ICE has an unparalleled record of integrating trade capture systems, both vendor and proprietary, to enable the submission and download of trade data. As described above, reporting parties will only be required to interface with ICE eConfirm and ICE Link to submit data to the TR. Trade capture system integration with ICE eConfirm and ICE Link is possible via an xml API or a tab delimited file upload. Upon enrollment, participants have data mapping tools, a test environment, complete technical requirements and assistance with their integration.

If participants choose not to integrate their trade capture system with ICE eConfirm or ICE Link, the service accepts manual trade data input via a secure Internet website. A manual trade entry screen provides participants with an electronic form containing drop-down and fill-in boxes. In instances where only one participant to a trade is able to upload trade data, the system also provides electronic affirmation features (“Click & Confirm”).

### **Access Controls**

Participants access ICE Trade Vault Europe to view various trade, position and valuation reports. ICE Trade Vault Europe offers robust company set-up and user authorisation functionality via the administrator component.

ICE Trade Vault Europe is subject to certain confidentiality obligations pursuant to the terms of the ICE Trade Vault Europe Participant Agreement and applicable law. Access to ICE Trade Vault Europe will be strictly limited to users with valid credentials. Password standards will comply with appropriate security policies. Upon enrollment into ICE Trade Vault Europe, a participant firm will designate a master user (“Administrator”) who will manage their internal user access. Subject to applicable law, ICE Trade Vault Europe is required to grant access to Competent Authorities such that they may discharge their respective regulatory mandates and responsibilities. ICE Trade Vault Europe will administer this access in accordance with the CPSS-IOSCO April 2013 Consultative Report on authorities’ access to TR data.

## **Reporting Capabilities**

ICE Trade Vault Europe features a data warehouse and reporting platform modeled on the high-volume system that ICE currently uses to support its own compliance reporting needs. The warehouse and platform, combined with business intelligence tools, allows ICE Trade Vault Europe to deliver a suite of reports tailored for participants and regulators. These reports include:

- Trade Reporting
- Position Reporting
- Valuation Reporting
- Collateral Reporting

Regulations prescribe a framework for data distribution to the public, which includes a weekly public report of transactions reported to ICE Trade Vault Europe. In addition, historical data views will be provided while maintaining strict confidentiality of transaction data.

## **Conclusion**

Given the critical importance of complying with global regulatory requirements, ICE established ICE Trade Vault Europe to facilitate the EMIR reporting requirements of participants. ICE Trade Vault Europe benefits from ICE's successful record of working with customers to develop innovative trading platforms, data-reporting tools and risk management services. ICE is undertaking a significant development effort to ensure ICE Trade Vault Europe provides a cost-effective solution for its customers. This TR Service will be global, dynamic and adaptable in response to evolving regulatory rules and requirements.