# Survey Report

# Cost of EMIR compliance for non-financial counterparties

**August 2015**

**The European Association of Corporate Treasurers (EACT)**

*The EACT is a grouping of national associations representing treasury and finance professionals in 18 countries of the European Union. We bring together about 12,000 members representing 6,500 groups/companies located in the EU. We comment to the European authorities, national governments, regulators and standard-setters on issues faced by treasury and finance professionals across Europe.*

*We seek to encourage the profession of treasury, corporate finance and risk management, promoting the value of treasury skills through best practice and education.*

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# 1 – About the Survey

The European Markets Infrastructure Regulation (EMIR) establishes several legal obligations for non-financial counterparties (NFCs) entering into OTC derivative transactions: the obligation to report all transactions to a Trade Repository (TR) within one business day, and obligation to comply with the risk mitigation provisions with respect to transaction confirmation, transaction valuation, portfolio reconciliation, portfolio compression and dispute resolution. In addition to this, NFCs above the clearing threshold in a defined asset class will have the obligation to centrally clear all their OTC derivative transactions and post margin for transactions that are not eligible for central clearing.

Since the adoption of EMIR, EACT members have reported on several challenges on EMIR implementation, and on the comparatively high costs it has had on relatively small treasury departments. The EACT therefore decided to conduct a survey on the cost of compliance with EMIR on non-financial companies to date. The objective of the survey was to gather data on the exact costs borne by companies subject to EMIR and to better understand the difficulties faced with implementation. The results of the survey will also support our engagement with policy makers as the discussion on EMIR review moves forward.

All information given by the respondents in this survey was treated as highly confidential and used only on an aggregated and anonymised basis.

# 2 – Summary of responses

### 2.1. Characteristics of respondents

The survey ran from 10 Marc to 11 May 2015 and gathered a total of 325 response, however not all respondents responded to all questions.

Companies of different sizes and geographies responded to the survey, and the overwhelming majority of respondents are classified as non-financial counterparties below the clearing threshold (NFC-).

The respondents indicated that nearly all of their OTC derivatives usage was to hedge foreign exchange risk, interest rate risk and commodity risk; in a smaller number of cases the respondents would also hedge equity and / or credit risk.

The respondents use both direct reporting to Trade Repositories (TRs) or have delegated reporting to their bank; in a smaller number of cases the reporting is delegated to a third party. It should of course be noted that one form of reporting does not exclude another as corporates many times corporates use both reporting methods, depending for instance on the type of transaction.

### 2.2. Main challenges and negative consequences related to EMIR

The respondents have been and continue to be faced with several challenges posed by EMIR. Generally speaking the following aspects were raised:

- The administrative burden created by EMIR and the financial and human resources used for EMIR compliance – without much (or any, in most cases) identified benefits for NFCs and most importantly with the view that NFC reporting will not contribute to the regulatory aims of financial stability and containing systemic risk as NFCs are irrelevant from this perspective
- The lack of global harmonisation (especially EMIR – Dodd Frank)
- The differing approaches adopted by Member States' national competent authorities and the challenge of having to comply with different requirements within the EU and /or dealing with substantially stricter requirements imposed by certain national competent authorities
- The challenge for NFCs to follow the development of EMIR requirements and to identify changes as NFCs do not have the same resources as financial counterparties in terms of ensuring compliance with financial regulation

The respondents broadly identified the reporting obligation as the biggest burden of EMIR compliance, and specifically the following were pointed out:

- No added value seen in NFC reporting: one-sided reporting (financial counterparty reporting for both sides of the transaction) should be adopted instead and it should not be required to report intragroup transactions
- Currently still a high number of unmatched transaction and considerable efforts and resources spent on fixing mismatches
- The rules (especially those issued by ESMA) are considered to be unclear and incomplete
- No standardised reporting format – different ways of populating reporting data depending on the TR, counterparty etc.
- Generally poor readiness levels of all parties, which still reflects on the manner in which reporting is done currently

### 2.3. Costs of EMIR

In terms of the costs incurred by NFCs due to EMIR requirements, the survey asked the respondents to estimate separately the initial costs of EMIR implementation and the costs of annual maintenance of EMIR compliance. For the initial implementation, roughly 70 per cent of respondents indicated the costs to be 50 000 euros or below, 20 per cent between 50 000 and 200 000 euros and 10 per cent indicated to have spent more than 200 000 euros as implementation costs.

As to the annual compliance costs, approximately half of the respondents stated to have costs of 10 000 euros or below, 40 per cent spent between 10 000 and 100 000 euros and 10 per cent over 100 000.

These costs are composed of different elements, including IT costs, staffing, annual maintenance cost of Legal Entity Identifiers (it should be noted that all company subsidiaries must have their own LEIs which significantly raises the costs at group level), audit costs, fees to TRs, bank fees etc. Many companies stated to have difficulties in evaluating the total cost of the implementation, especially in terms of human resources.

## 3 – Survey Results

**Question 1**

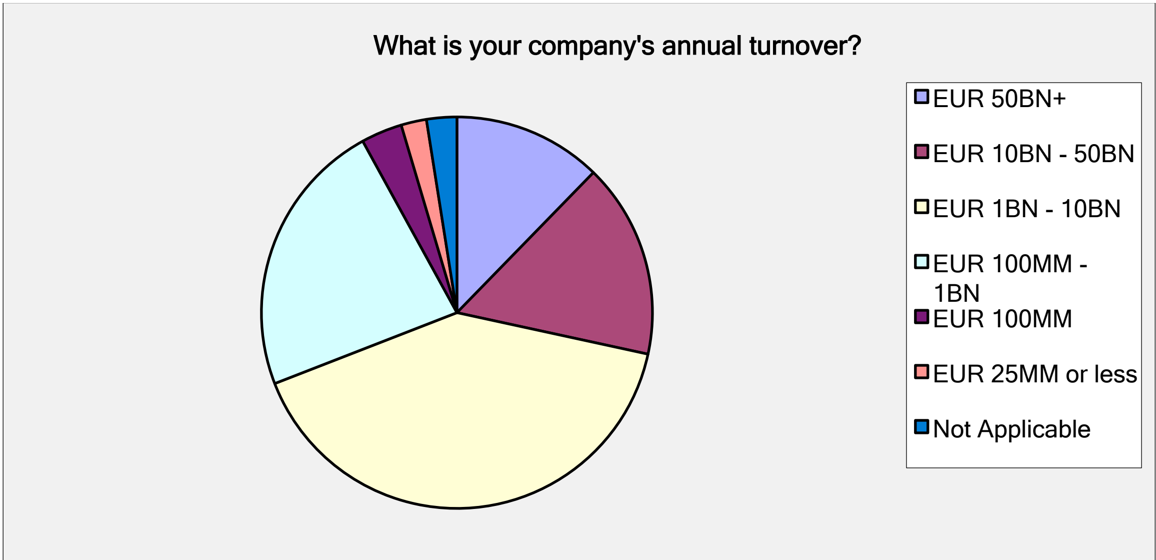
The survey was distributed through national treasury associations that are members of the EACT. In addition BusinessEurope, European Issuers and Deutsches Aktieninstitut (DAI) contributed by distributing the survey within their membership.

Below is a break-down that gives an indication of the geographic distribution of the respondents.

| From which source did you receive this survey? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| Directly from the EACT | 11,7% | 38 |
| Association other than a treasury association | 1,5% | 5 |
| ÖPWZ-Forum Finanzen | 0,0% | 0 |
| Association des Trésoriers d'Entreprise en Belgique | 1,5% | 5 |
| The Croatian Association of Corporate Treasurers | 0,0% | 0 |
| Ceska Asociace Treasury | 3,1% | 10 |
| Finnish Association of Corporate Treasurers | 0,6% | 2 |
| Association Française des Trésoriers d'Entreprise | 6,5% | 21 |
| Association of Chief Financial Officers Germany | 0,9% | 3 |
| Verband Deutscher Treasurer | 24,6% | 80 |
| Hungarian Treasury Club | 2,2% | 7 |
| The Irish Association of Corporate Treasurers | 5,2% | 17 |
| Associazione Italiana Tesorieri d' Impresa | 4,9% | 16 |
| Association des Trésoriers d Entreprise à Luxembourg | 0,9% | 3 |
| Dutch Association of Corporate Treasurers | 13,2% | 43 |
| Polish Corporate Treasurers Association | 6,5% | 21 |
| Russian Association of Corporate Treasurers | 0,0% | 0 |
| Slovak Association of Finance and Treasury | 0,0% | 0 |
| Slovenian Corporate Treasury Association | 0,0% | 0 |
| Asociación Española de Financieros y Tesoreros de Empresa | 0,3% | 1 |
| Swedish Association for Corporate Treasurers | 0,0% | 0 |
| Swiss Treasury Association | 0,0% | 0 |
| The Association of Corporate Treasurers (UK) | 5,8% | 19 |
| Other (please specify) | 10,5% | 34 |

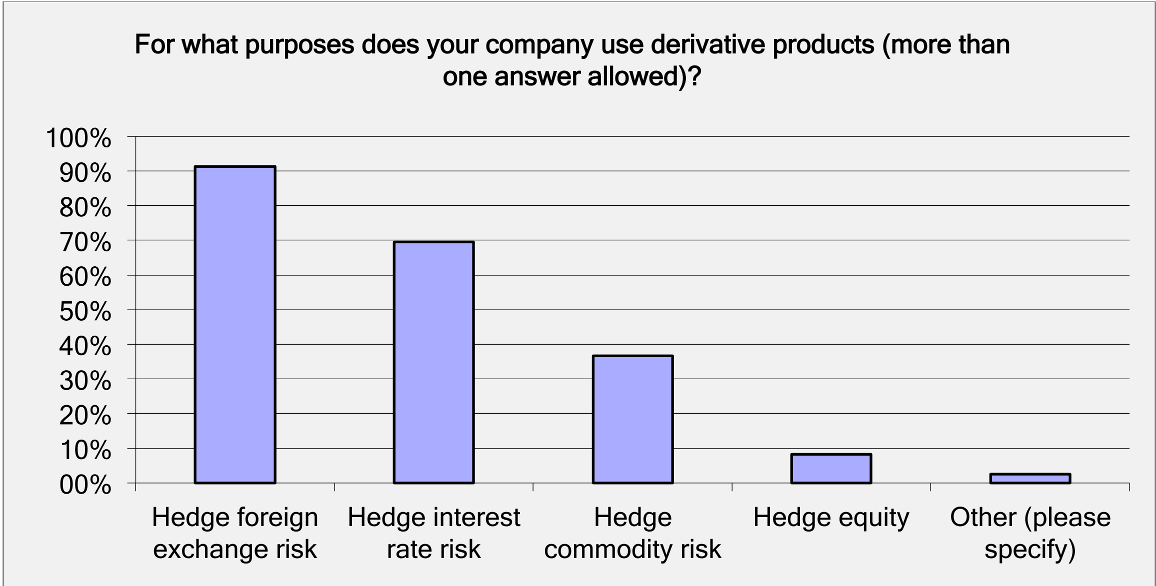
**Question 2**

| What is your company's annual turnover? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| EUR 50BN+ | 12,3% | 29 |
| EUR 10BN - 50BN | 16,1% | 38 |
| EUR 1BN - 10BN | 40,7% | 96 |
| EUR 100MM - 1BN | 22,9% | 54 |
| EUR 100MM | 3,4% | 8 |
| EUR 25MM or less | 2,1% | 5 |
| Not Applicable | 2,5% | 6 |



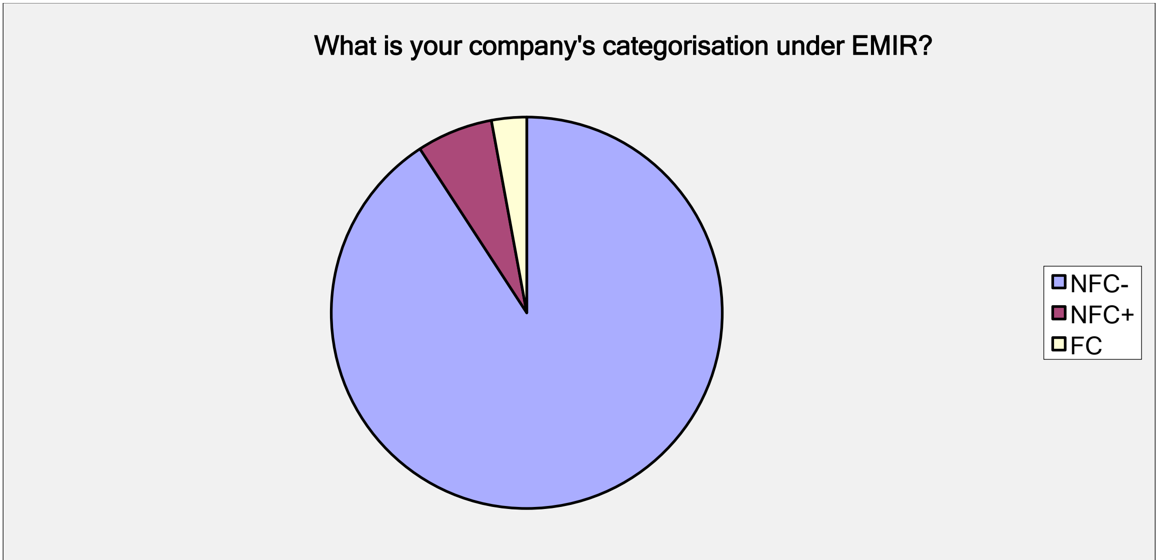
**Question 3**

| For what purposes does your company use derivative products (more than one answer allowed)? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| Hedge foreign exchange risk | 91,3% | 219 |
| Hedge interest rate risk | 69,6% | 167 |
| Hedge commodity risk | 36,7% | 88 |
| Hedge equity | 8,3% | 20 |
| Other (please specify) | 2,5% | 6 |



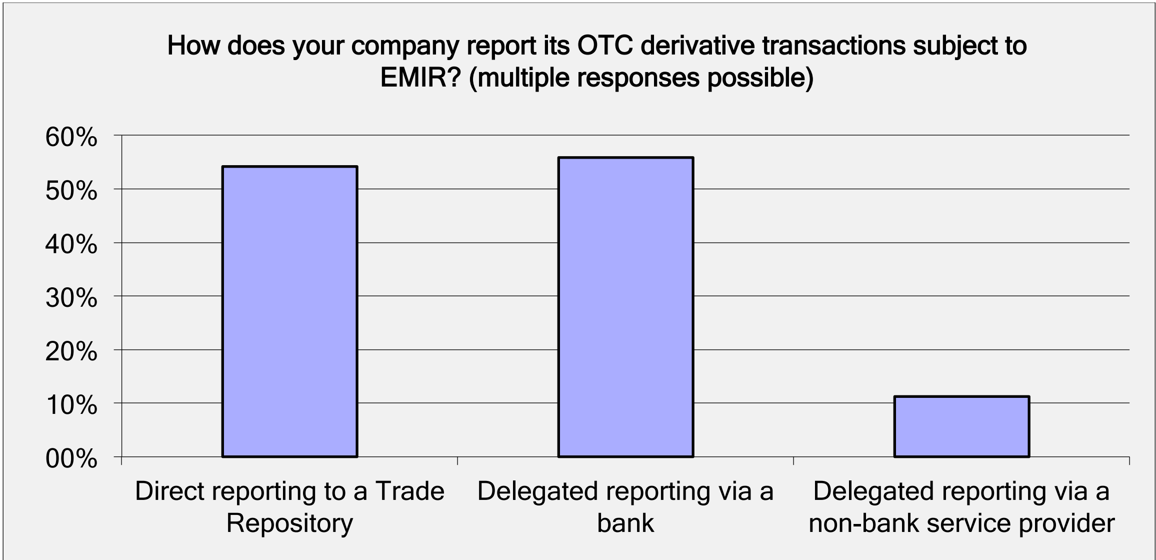
**Question 4**

| What is your company's categorisation under EMIR? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| NFC- | 90,8% | 218 |
| NFC+ | 6,3% | 15 |
| FC | 2,9% | 7 |



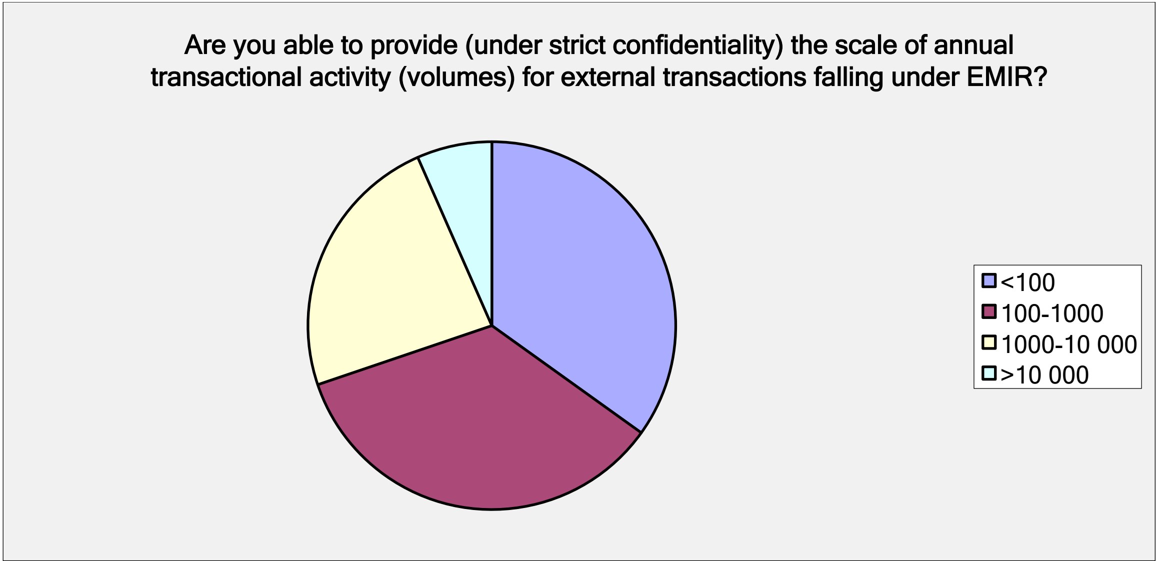
**Question 5**

| How does your company report its OTC derivative transactions subject to EMIR? (multiple responses possible) | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| Direct reporting to a Trade Repository | 54,2% | 130 |
| Delegated reporting via a bank | 55,8% | 134 |
| Delegated reporting via a non-bank service provider | 11,3% | 27 |



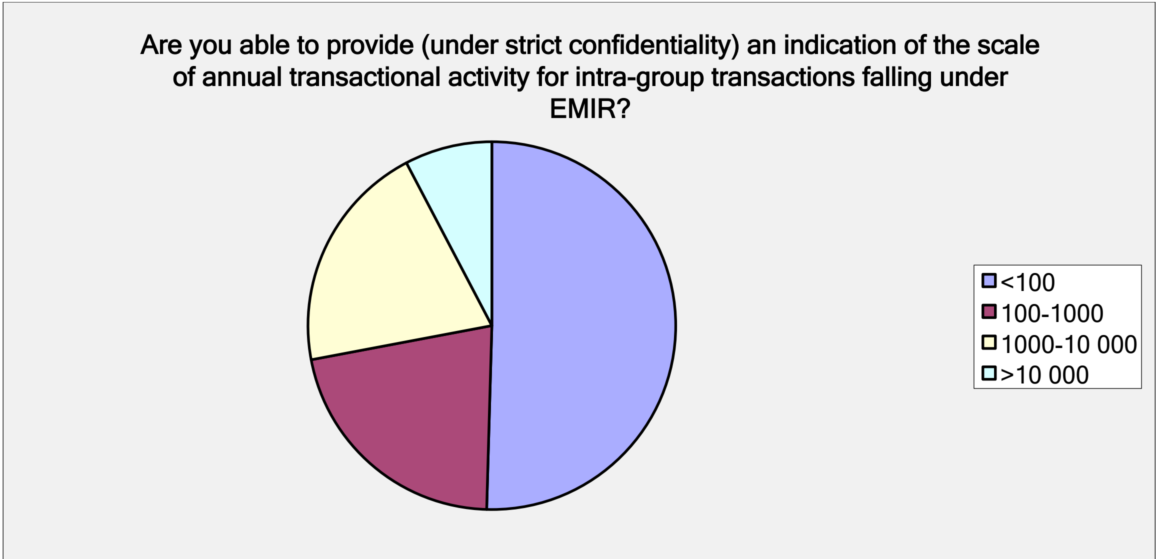
## Question 6

| Are you able to provide (under strict confidentiality) the scale of annual transactional activity (volumes) for external transactions falling under EMIR? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| <100 | 34,9% | 80 |
| 100-1000 | 34,9% | 80 |
| 1000-10 000 | 23,6% | 54 |
| >10 000 | 6,6% | 15 |



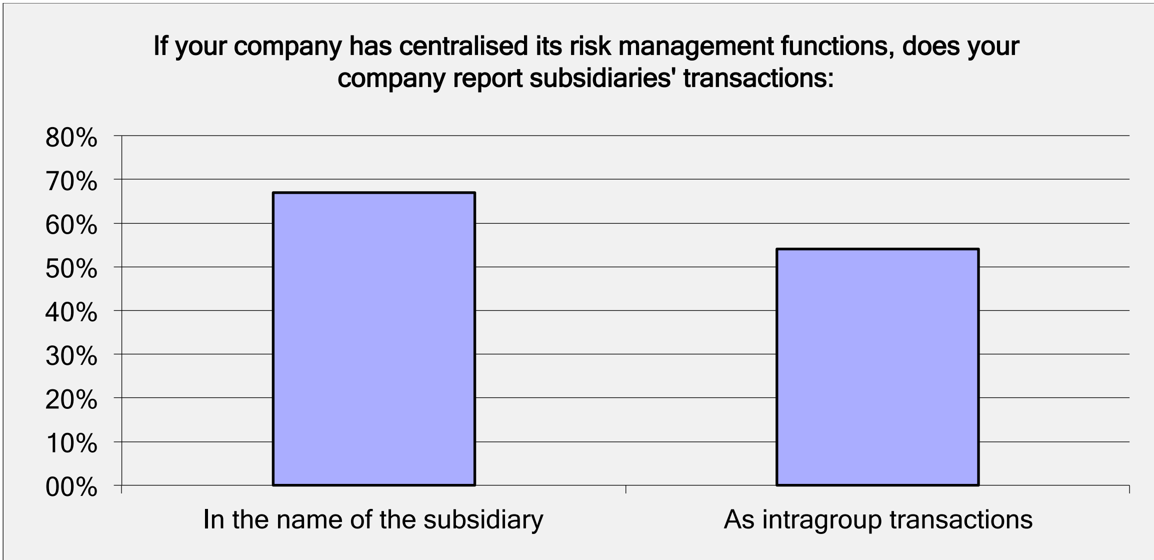
**Question 7**

| Are you able to provide (under strict confidentiality) an indication of the scale of annual transactional activity for intra-group transactions falling under EMIR? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| <100 | 50,5% | 112 |
| 100-1000 | 21,6% | 48 |
| 1000-10 000 | 20,3% | 45 |
| >10 000 | 7,7% | 17 |



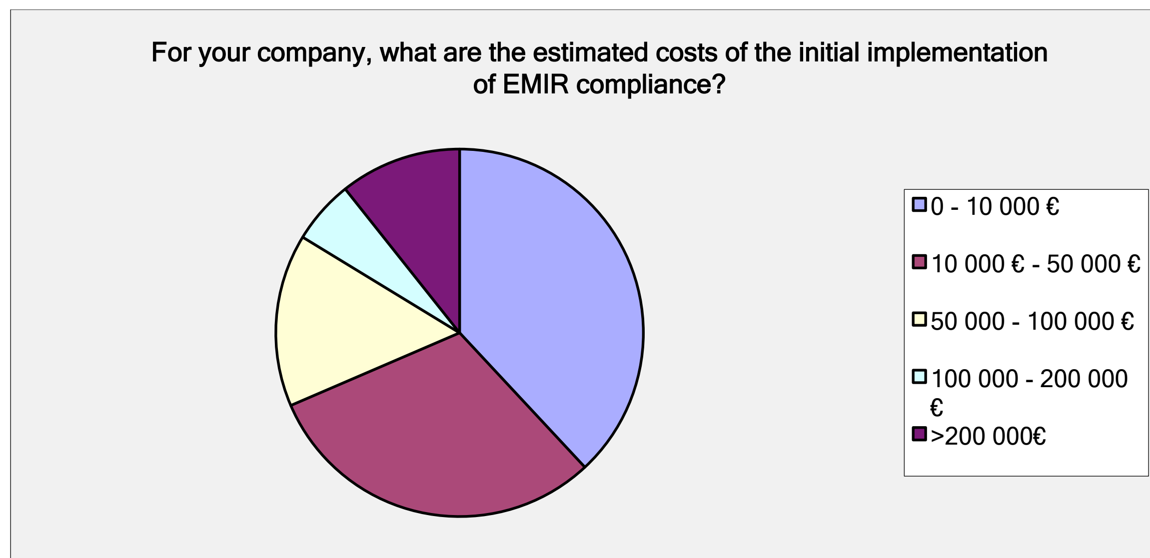
**Question 8**

| If your company has centralised its risk management functions, does your company report subsidiaries' transactions: | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| In the name of the subsidiary | 67,0% | 124 |
| As intragroup transactions | 54,1% | 100 |



**Question 9**

| For your company, what are the estimated costs of the initial implementation of EMIR compliance? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| 0 - 10 000 € | 38,1% | 75 |
| 10 000 € - 50 000 € | 30,5% | 60 |
| 50 000 - 100 000 € | 15,2% | 30 |
| 100 000 - 200 000 € | 5,6% | 11 |
| >200 000€ | 10,7% | 21 |




**Comments received:**

- External cost for EMIR setup and auditing.
- Difficult to put an exact price to put on the many hours wasted trying to get the reporting up and running.
- Maybe more then 100k € if all manpower is taken into account.
- In addition to external costs, significant allocation of internal ressources
- Mainly management time
- IT, Berater Implementierungskosten

- approx 6k without workload

- HR costs not included

- LEI creation is the highest cost

- Too many people needed to be involved to deal with the bureacracy, the documentation, the many requests from banks and the complexity of the trade repository systems.We started with DTCC but they completely failed. Halfway the process we changed to CME

- Legal advices
  Human times (hundreds hour in terms of development and test)
  Acquisition of the LEI
  Delegated reporting for ETD

- Mainly for Treasury Management System modifications, but additionally internal resources for set-up.

- 1 000 000 € almost 10% of department budget

- We estimate internal and external cost up to today with EUR 400,000.
  Give the matching quota rumors and that we have not seen figures from ESMA about the result of the reporting efforts we undertake, not to be justified

- Due to the choice of delegating reporting via our banks, we reduce the costs to internal costs

- It's currently less than EUR 10k but that implies a lot of manual work. We consider a direct reporting feature from out TMS into a TR directly.

- is excluding internal man hours

- Direct costs were a small percentage of this. Most of the cost is in the 100's of man-hours we spent working on it.

- This costs include the amount of workhours involved in trying to interpret regulation and setting up all contracts for reporting to be done via the bank with whom the trade took place. Furthermore settling direct through the accounts of the subsidiaries implies a lot of explanation to the OPCOs, instead of the previous centralized trading and reporting structure.

- This amount does not include internal resources used for the project.

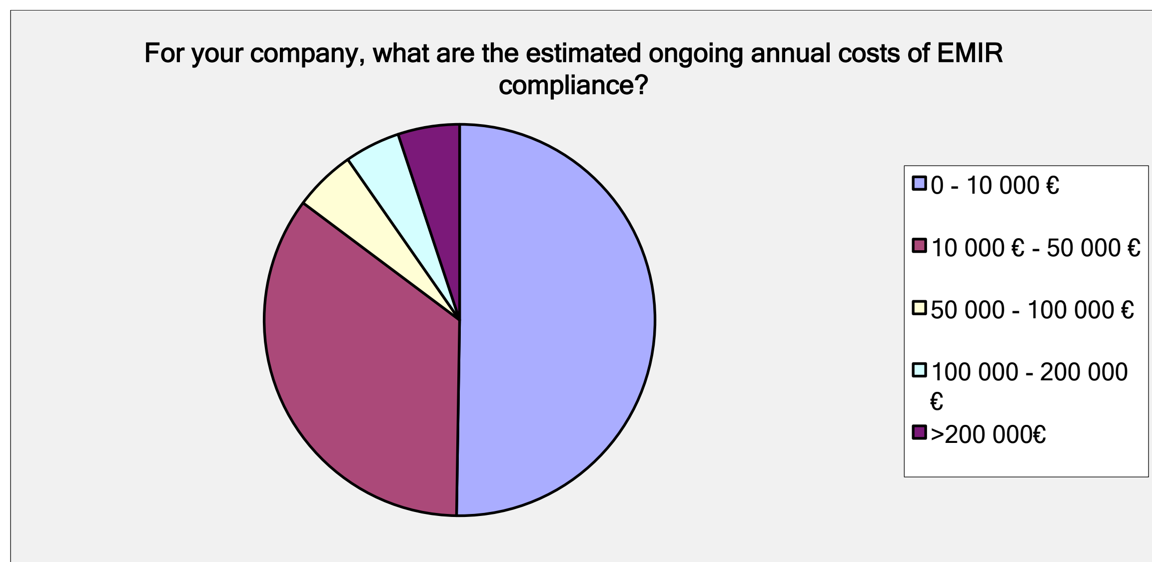
- 3 800 Euros for the trade repository (annually) + network to collect data from our portfolio and to send it to our counterparties and trade repository (around 20 000

USD per month)

- At this stage including, the archiving of Back Loading , the implementation cost for Go Live on Feb 12th, 2014 and the review LEVEL 1 on Dec 1st, 2014

**Question 10**

| For your company, what are the estimated ongoing annual costs of EMIR compliance? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| 0 - 10 000 € | 50,3% | 99 |
| 10 000 € - 50 000 € | 35,0% | 69 |
| 50 000 - 100 000 € | 5,1% | 10 |
| 100 000 - 200 000 € | 4,6% | 9 |
| >200 000€ | 5,1% | 10 |




**Comments received**

- it depends on the scale of change of the regulation
- Highest positions:
  Reporting to trade repository
  Audit of EMIR compliance by public accountant
- External cost for EMIR auditing. Internal cost estimated.
- The biggest part of the cost comes from the chaos created by the patchy regulation and implementation by DTCC

- In addition to external costs, significant allocation of internal ressources

- HR costs not included

- following § 20 WPHG we are obliged to the confirmation of our EMIR-Compliance by an external auditor

- Costs are mainly driven by

- implementation of new requirements according to ESMA Q&As,
- request and prolongation of LEIs
- yearly external EMIR audit.

- Ongoing IS, additional personell, Register, Legal ...

- new legal contracts, 6 clearing members, 2 CCP, new IT infrastructure

- It's currently less than EUR 10k but that implies a lot of manual work. We consider a direct reporting feature from out TMS into a TR directly.

- As in the previous question, direct costs are a small percentage of this. Most of the cost is in the 100's of man-hours we spend working on it.

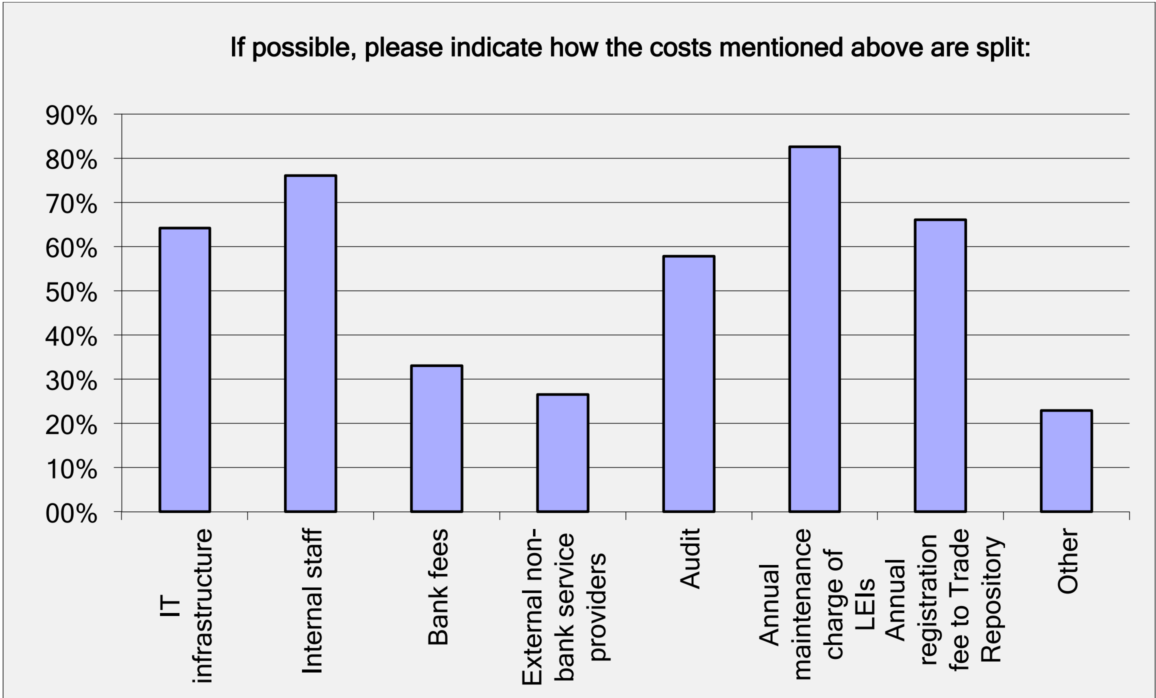
- Costs of annual renewal of LEI for all entities.

- German laws demand a yearly auditor review of EMIR compliance, which is costly for larger companies with more complex hedging operations. In addition, the continuous problems with data reconciliation in reporting and required EMIR risk management tools (e.g. Reconciliation) are binding resources in IT and Back Office.

- Also dependent on when the banks will start charging for delegated reporting

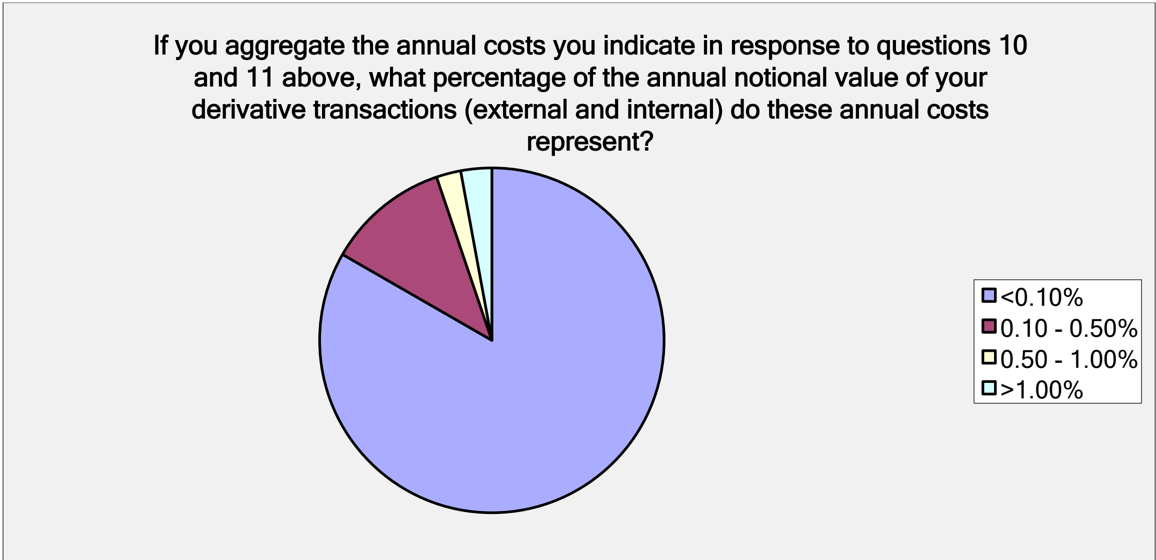
**Question 11**

| If possible, please indicate how the costs mentioned above are split: | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| IT infrastructure | 64,2% | 70 |
| Internal staff | 76,1% | 83 |
| Bank fees | 33,0% | 36 |
| External non-bank service providers | 26,6% | 29 |
| Audit | 57,8% | 63 |
| Annual maintenance charge of LEIs | 82,6% | 90 |
| Annual registration fee to Trade Repository | 66,1% | 72 |
| Other | 22,9% | 25 |



## Question 12

| If you aggregate the annual costs you indicate in response to questions 10 and 11 above, what percentage of the annual notional value of your derivative transactions (external and internal) do these annual costs represent? | | |
|---|---|---|
| Answer Options | Response Percent | Response Count |
| <0.10% | 83,3% | 145 |
| 0.10 - 0.50% | 11,5% | 20 |
| 0.50 - 1.00% | 2,3% | 4 |
| >1.00% | 2,9% | 5 |



**<u>Open-ended question : What do you consider the heaviest burden imposed by EMIR?</u>**

**Comments received:**

- The heaviest burden is the unuseful and incompleted discipline of the infragroup transactions for corporates since they do not create any systemic risk. Furthermore the rules are still not clear so after years that EMIR has been approved many "unmatched transactions" are coming out as simple consequence of different settings of the fields between the two counterparties. Moreover the required portfolio compression, especially when intragroup transaction is concerned, is disallined with most of the current accounting procedures of the corporate groups. Finally trade repositories (in our case DTCC) where not ready and this has had an heavy starting process.

- time waste because of administrative duties, matching with bank reports and DTCC

- in 2013 we are spent a lot of time in order to analyze the regulation, but now (considering that the we delegated the bank to do the reporting) no

- To verify all the transactions are properly reported.

- Challenges to date: Changes and adaptations to the rules are still being made one year after the implementation date - this is hindering corporates from evolving such processes into a steady state of

- The reporting obligation and the strict deadlines in risk mitigation measures (portfolio reconciliation and timely confirmation) with specific reference to infragroup transactions.

- uncertanity in requirements and consequencies not timely and tailor made communication on approaching changes short and changing deadline of announced changes

- Administration (including implementation and maintenance of IT resources) concerning reporting and portfolio reconciliation. Lack of standardization concerning data fields makes the portfolio reconciliation and reporting challenging. Lack of standardization across different global regulations (e. g. Dodd-Frank, EMIR). Observation of all upcoming amendments of EMIR and related by-laws and the risk that changes may have a significant effect (e. g. clearing threshold et cetera).

- Reporting

- additional administrative work and expenditures of some thounsands of EUROs.

- The fact that EMIR affect internal transactions

- Check of the delegated reporting (operated by the Banks to different trade repositories) and its documentation for the auditor.

- be sure be EMIR compliant

- Man power needed to compile documentations; delegation costs

- Extra work to update EMIR information in our derivative financial transactions,extra reconciliations with bank as we delegated the EMIR reporting duties to them.

- The number of field to be reported

- The EMIR audit which on the one hand causes additional costs for the audit itself and on the other hand high internal efforts as you have to provide a lot of extra data and documentation for the auditors

- In general the reporting requirements are the biggest problem:
  - unclear reporting requirements, badly designed, frequent updates to Q&A guidance not helpful
  - inadequate reporting infrastructure - TRs not ready in time, difficult to get reports back from TRs to check
  - banks not ready either, can delegate to them but not confident they are doing it properly
  - would all be much simpler if the requirements were on the banks to report and intragroup trades of NFCs were not required to be reported

- Transaction Reporting.
  One counterparty (the bank) only should Report Transactions.
  The lack of clear descriptions what exactly to do.

- management time

- the level of details required to be reported by TR

- Staff time

- Time and effort spent to ensure compliance, which distracts from creating value for the business.

- regulatory impact, understanding requirements and ongoing requirements to keep up to date with legislation & reporting

- Detailed reporting of information of dubious use or benefit especially applicable to intra group transactions.
  It makes no sense for both sides to have to report the same transaction especially if

one side is an NFC using it for hedging purposes.

- LEI required for every subsidiary

- Intercompany reporting of vanilla forwards and swaps.

- Time consuming administration tasks.

- 1. The incomplete regulation. Still painfully incomplete even for the simplest FX forward after many Q+A by ESMA.
  2. The fatal lack of professionalism by most parts of DTCC with all their unsolved flaws and chaotic documentation. Ok, it's partly due to #1.
  3. Uncertainty in the financial industry due to #1. and #2. Every bank has their own opinion and meaningful matching of reported trades is not possible.

- process Installation in back Office for fullfilling documentation requirements

- that the trade repositories have not consistent formats when it comes to direct reporting. in my opinion that should have been standardized. the regulation has left room for Iinterpretation that was a big challange when the reporting kicked off in feb 2014.
  a lot of open questions were left after feb 2014, where i ask myself why wasn't that date rescheduled in order to be more precise in the regulatory requirements.
  the TRs wern't ready at that point, although "qualified" as TRs from ESMA.
  today we are in April 2015 and finally we can say that the reporting under EMIR is working for our clients

- undefined field contents regarding emir data + costs + fees to comply requirements from the local regulator (in our cas BaFin); e.g. additional external audits

- Generally reporting duty for NFC- companies is the heaviest burden especially against the background that no improvement of systemic risk situation is visible through this duty. A single side reporting by the banks would be sufficient. Within the reporting duty the naive and over-ambitious interpretation of reporting details by ESMA causes vast bureaucracy (e.g. the need to report exact time including seconds for execution and confirmation timestamp; the date would be by far enough to ensure financial market stability)

- Unclear formats for trade repository, no feedback, no automated reconciliation, we cannot see any benefit of EMIR.
  Banks are not fully ready either

- reporting of historical data

- fault-prone, time-killing

- We do only deals for hedge purpose - so there is no need for reporting in our

opinion.
For hedge deals we have 72 fields - too much in our opinion.
We thing there is such a high data volume, only a very small part is used - so there should be exceptions for hedge deals (no need to report!)

- To get clearly understandable definitions from local authorities all over Europe, e.g. BaFin & FCA.

- Reporting of intragroup transactions as well as dual sided reporting of external transactions

- Completing various forms per bank and obtaining a LEI per legal entity.

- The whole process is much to complicated (to many information must be provided, reporting is very complicated,if you won't establish a separte IT-System => with IT-System much higher costs). Waste of time without any additional use for the Company.

- After the complex set up of an IT structure in order to be EMIR compliant the matching of the unmatched items with the Banks on the Transaction Register platform is still a time consuming challenge.

- 1) setup of DTCC, to enable x-checking bank reporting on EMIR via accessing the trade repository directly

- The external audit which is mandatory in Germany

- That nobody is 100% sure, what to do.

- The higher No. of Transactions to be executed.

- losing time

- unclear definitions and rules

- The administrative details (UTI, LEI, etc) and deadline (24 hours) for reporting.

- High workload within a very short reporting time.

- Poor Project Management by ESMA (very bad preparation, no clear Guidelines and instructions, still lots of open questions), FC´s and TR.

- lots of work for nothing

- as formats and communication channels are not standardized, the technical implementation and maintance

- reporting requirements are hard or unable to fulfill in practice, poor coordination between ESMA and executive bodies

- Setup and register all entities

- IT-System

- Intransparency

- Ensuring 100% data quality and data flow towards EMIR

- the daily reporting

- Level of complexity in contracting and ongoing activity without any added value

- Paperwork, reconciliation, audit, consideration if intragroup hedging is worthwhile under EMIR

- We consider the effort and costs disproportional to our size. That means that there is not or too less differentiation between mid-sized and large companies regarding the reporting requirements.

- - Set up of reporting structure
  - Verify data correctness sent by bank

- automated EMIR reporting out of ERP System

- The reporting to the trade repository is very complicated, time consuming and we are still not sure if we are reporting correctly

- Due to the fact that we delegated the reporting to the banks - their partly different documentations rules & reporting to us.

- Reporting to TR

- Duty to control that our banks report all derivatives correctly to the registers

- Evaluating correct data basis for reporting

- T+1 confirmation, there was no choice but to go digital at a specific cost to the firm. Although one can argue that the digitalisation had its operational gains as well, in our case they outweighed vs the old process.
  LEI number =  additional charge per trading entity annually, but gain?
  AUDIT requirements linked to the reporting although externalised towards our banks is massive.

- Data consolidation, consolidation and reconciliation

- 1. lack of one official channel for communicating changes in requirements
  2. lack of clarity / support on how to interpret certain requirements
  3. reporting interco. and hedging transactions, clearly not addressing risks that regulations are meant to address
  4. lack of feedback on quality / success of report submssions

- Technical and infrastructure improvement in order to extract and send the emir report.
  Check the deals sent by banks.

- surcharges, unclear regulations, too many rules.

- Setting up of new LEI's and trade instruments (Swap, Forward, Option, NDF, Commodity Swaps, Interest Swaps)
  Setting up the infrastructure.

- Unclear guidelines for implementation
  bureaucratic processes that do not generate any additional value (e.g. double reporting of trades, reporting of intragroup transactions etc.)

- - Why reporting to third party (EMIR/Dodd Frank rulings) in case of a (automated) daily confirmation process in place with counterparties?
  - Why yearly bi-lateral with counterparties perform an extra confirmation, since no open confirmations due to daily confirmation process?
  - Why intragroup transaction reporting since these are netted out in the consolidation?

- Difficulties in achieving matches within the trade repositories.
  Pre-mature legislation without available solutions for implementing the regulations in practice.

- responsible for any incorrect data

- Oversight by Central Bank and penalties for non-compliance place onerous responsibility on company

- Very detailed daily reporting and its hard to fulfill single rules (UTI, Time stamp etc.)

- Lots of emails fom trade repository and from banks.
  Frequent changing of reporting systems, updates of systems etc.
  The fact that all the work done is totally useless and meaningless.

- the unclear /unspecified expected content of the reporting; unsatisfying field-descriptions
  the portfolio reconciliation due to the (electronic) confirmation of every deal
  the (unnecessary ) matching by the trade register

- Complexity rising, workload, new rule changes, new reporting requirements.

- Reporting Implementation

- daily reporting/reconcilation
  Evolving changes in the requirements (level 2 validation,etc)

- reporting obligation for non-financial counterparties

- Changes to Treasury Management System
  - to report transactions to trade repository,
  - to provide figures for portfolio reconciliation and compression,
  - and to maintain EMIR key figures like LEI and UTI.
  Reconciliation of reported figures due to
  - differences between trade repositories,
  - implementation of new requirements according to ESMA Q&As,
  - different interpretations of reporting contents, fields, etc. by counterparties.

- Set the reporting with all banks and others, amend/conclude the agreements with the banks, the registration into the trade repository

- -> sometimes unclear technical guidance from ESMA
  -> too many information
  -> inconsistencies between repositories
  -> questionable benefits, negative effects may be greater than envisaged benefits

- To report intragroup transaction, i.e. is 95% of our derivatives transaction and only for hedging purpose.
  The way to get a UTI for our external trades is very difficult.

- legal work, registration numbers, perpetual payments/subscription renewals,
  It does not add anything to safety or settlement for us, me, only extra administration.

- Administration in general, cope with changeing EMIR compliance Environment, missing alginment between trade repositories, EMIR Audit (Germany only)

- Risk of non-compliance due to systems failures.

- Changing regulatory requirements, operational readiness and cost

- EMIR reporting for NFC- corporates is a timeconsuming value burning activity.
  Considerable amount of time and cost involved without any benefit for the company.

- 1. Double-sided reporting and reporting of intragroup transactions leading to a large number of to be reported transactions.
  2. Complex format requiring new processes (UTI communication, etc...)
  3. Implementation cost

- Reporting Obligation brings with a requirement for additional resources , system changes , tiime & cost as well as restructing some forwards to ensure EMIR compliance
  The lack of clarity of the actual definition of what constitues a forward causes huge difficulity as was as the lack of a conhesive approach in different member states .

- The reconciliation process

- Unclear and late implementation guidance from ESMA (LEI/UTI, FX Swaps)
  Superfluous and complicated rules wiitn technical implementation (portfolio compression for NCFs) by ESMA
  Lack of alignment with Dodd Frank Act (one sided reporting of trades)
  Lack of testing the performance of registered trade repository companies which in turn were appointed too late.
  Resistance of ESMA to talk to Level 1 regulators about meaningful improvement in current framework, in particular for intragroup transactions when they are purely risk mitigating.
  Different interpretation of FX Forwards (FSA in UK)

- intercompany reporting

- reconciliation obligation with European banks

- timing of reporting

- Trade Repository reporting

- We have few deriviative contracts and have delegated reporting to our banks. Signing up the banks was a burden.

- Reporting

- The heaviest burden is the reporting itself to a trade repository and the amount of specific knowledge needed to be able to do the upload. The extent of fields to be uploaded and the relative portion of these fields that are not applicable (but can not be excluded from the reporting template) make an automatized format to report / link these requirements between TMS and Trade repository difficult. As well, regulation is moving and by that the lay out of the upload report to the trade repository also moves. Last but not least, UTI perception in the market varies still too much, which gives room for multi interpretation.
  The above forces involvement of higher ranked finance personnel that need to use partly manual procedures to report under EMIR, which is far from ideal.

- Initial set-up with banks.

- Time spent reporting and financial cost

- admin, paper-work
- the deadline of 24 hours
- Need for cash in case of increasing variation margin requirements. --> We need to reserve a lot more cash which reduces our return dramatically.
- extra work periodically and setting up the reporting
- Administration of GEIs
- adequate systems for reporting
- For us the number of transactions is relatively low (less than 50 a year) and reporting is done by the banks, so no huge complaints here. We incur costs of LEI numbers for each entity and potential penalties if reporting done by banks is not accurate.
- 1. The erosion of the benefits of risk management (economically a zero-sum game) by an excessive increase in compliance costs (direct hit to the bottom line)
  2. The fact that rules were imposed on even the smallest participants in derivative markets before these rules were tried and tested on the largest and most professional participants.
  3. The fact that the rules for the smallest participants in single markets are nonetheless embedded within a comprehensive and ever-changing derivatives rulebook, and that ongoing compliance can only be achieved with the continuous help of a specialized financial markets lawyer.
  4. The very poor data standards resulting from a one-size-fits-all regulatory approach to derivatives, which leave ambiguity around or omit essential information while they demand non-essential incidental information which existing specialized systems didn't maintain.
- additional control on the banks reporting on behalf of the company, time consuming process with regard to the analisis of documents/ interpretaions ref. to EMIR, too complex reporting for non-banking companies
- The numerous changes in the data fields to Trade repositories
  Inaccurate information flow ESMA
- Burden of daily reporting of deals dealt, finding out where to apply for LEI's for foreign subsidiaries, back loading.
- All!!!
- Paperwork
- Creating the template needed to do the uploads to the Trade Repository.

The reporting timeline of T+1, as not all information is always available in time and creating the upload is still manual.

- Reporting workload

- setup of systems and increased cost

- The amount of additional work needed to a) set-up the infrastructure to ensure readiness before the deadlines and b) ensure ongoing compliance is enormous

- reporting withing strict deadlines

- Setting up contracts for all different trading entities with the bank and trying to figure out (a lot of manhours) how the previous Intragroup transactions backdating to 16 Aug 2012 should be reported.

- Reporting obligations (due to recurring necessity to correct/change data field inputs in matching exercises) in connection with obligations to Portfolio Reconciliation (same problem)

- intercompany transactions and changes in formats/fields to be reported.
  fact that bank and corp's cannot reconcile and match deals because banks expect certain formats on fields whihc aren't compulsory.
  costs and admin burden

- The daily reporting and the frequency of change of the data verification rules. The local National Competent Authority is aggrevating the burden by imposing additional requirements and costs.

- - Transactions reconciliation with our counterparties (i.e. some are generating their own UTIs when we agreed the contrary).
  - Tons of emails with banks and trade repository to make sure the reports are accurate.
  - Lack of knowledge, coordination, unpreparedness and sometime lack of willingness from our counterparties and trade repository.

- Contact with the banks and the repository company and the entry of closed transactions

- None

- The reporting obligation of intercompany deals

- Setting everything up.
  Documentation with banks
  Portfolio reconciliation

- Administrative issues

- lack of information

- central clearing

- Overload of unnecessary Transactions - Administrative Burden:
  - Internal Transactions are completely unnecessary to report
  - External Transactions (in our case the FX and commodities) are even strange as with our counterparties (external) we have confirmation processes in place standard already. -> The info can be retrieved from the "Financial counterparties of Corporates"
  - Once a year portfolio reconciliation with all external counterparties is also 'the third way of reporting the same': the daily confirmations + reporting to TR being step 1 and 2

- Whether it is even necessary at all, really challenging the use for NFC-'s, unclarity of regulations at time of implementing, the strict timelines, the additional burden of interrepository reconciliation (what the F%^&*) has that has to do with proper risk management????) etc etc etc

- Cost and useless intragroup reporting

- reporting and potential consequences (financial)

- To report INTRA-COMPANY transactions and obliged to get a MATCHED Status.

- daily reporting

- Intercompany transactions.
  Formats are not clearly defined.

- The compensation obligation
- First implementation of the reporting to the Trade Repository.
  Ongoing reconcilation of the reported transactions to the TR and analyse of the mismatches.

## The European Association of Corporate Treasurers

European Commission Interest Representative Register ID: 9160958318-89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