



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

ECB Operations Managers Group

Frankfurt am Main, Tuesday 5 June 2018, 13:00 – 17:00 CET

Summary of the discussion

1. Regulatory reporting from the perspective of a trade repository

Daniel Cohen, Andrew Douglas and Paul Sedgwick (DTCC) reviewed the regulatory impact on DTCC since its creation and presented current challenges linked to reporting. Under European legislation, DTCC is directly involved in EMIR reporting and the upcoming SFTR. They explained the importance of pairing and matching in the trade reconciliation process due to the dual side reporting as required by EMIR. While the average number of breaking fields has been divided by almost six since 2014, the non-reconciliation of trades is mainly due to the use of wrong algorithms, the non-automatic recognition of double trades, or simple inconsistencies in trade data (particularly of relevance for FX). In addition, it appears that the reporting entities arbitrage between data quality and timely submission of the report. DTCC prones open dialogues between authorities and market participants, as well as the increase in data usage by regulators and reporting entities in order to improve data quality. The ECB OMG members emphasised the need to have clear reporting guidelines, be it by means of a legislation, best practices or Q&As. In this respect, international standards should be developed, as already started with the LEI, paving the way for further harmonisation of post-trade reporting.

2. ESRB Work on EMIR data: analysis, research and challenges

Marco D'Errico (ESRB Secretariat) gave a presentation on ESRB work on EMIR data. While this large and complex dataset naturally presents technical and conceptual challenges, the ESRB – in close cooperation with the ECB, ESMA and other member institutions – pioneered its analysis and plans to expand the work further. Various research papers have been published on the ESRB website on the EU derivatives market structure, CDS usage, central clearing, FX derivatives and portfolio compression.

From an IT perspective, the collection, storage and processing of the data is continuously improving. An important step forward is represented by the adoption of the ISO 20022 XML standard to transmit information from individual trade repositories to authorities through a unique system acting as a hub and run by ESMA (TRACE). High volumes of data are automatically collected, stored, and processed

daily on a big data platform run by the ECB. The platform provides high performance analytical capabilities which allow the ESRB is able to rapidly generate granular and aggregate analyses.

Members discussed the importance of involving a wide range of participants in the design of reports, in particular data users and reporting institutions. This way, Members suggested that efforts would be concentrated on specific issues of interest, avoiding inconsistencies between reports, and leading to better data quality, and detection of risks.

3. Thriving towards operational excellence

Marcin Kaczmarek (Nordea Bank) presented the cultural transformation project initiated at his institution since 2016. As a leading pan-nordic bank, Nordea Bank has set a strong emphasis on the creation of a cultural bedrock as prerequisite for its business transformation and customer centric approach. Indeed, the series of mergers and acquisitions Nordea Bank has gone through have left a diversity of cultures that needed to be harmonised. To that end, a common set of values, ethics and behaviours have been laid down in collaboration with the employees. Linked to its strategic priorities, culture is considered as key to achieve the bank's expected results. Concretely, the cultural transformation has had different priorities set around its staff members. For instance, Nordea Bank has concentrated efforts on the recruitments, the mindset and the leadership, considered as key factors for its success. From an operations perspective, initiatives have mainly aimed at improving processes via an open communication and transparency, shifting from a hierarchical towards a more horizontal structure by empowering experts in their knowledge and ability to take decisions on their own.

4. Further follow-up on MIFID II

The Members reiterated the current challenges faced with regards to the MiFID II implementation, in particular those connected with the upcoming Systematic Internaliser (SI) regime starting in September 2018. They insisted on the very short timeline faced between the publication of the relevant trade data by ESMA in August, necessary for their individual SI assessments in the relevant sub-asset classes, and the actual implementation deadline. In addition, they pointed at the risk of misreporting as the list of counterparties acting under the SI regime may not be known at the beginning. At the same time, Members recalled that these difficulties did not prevent the commercial interests to drive the decision of becoming a SI.