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REGULATION ANNUAL 2023

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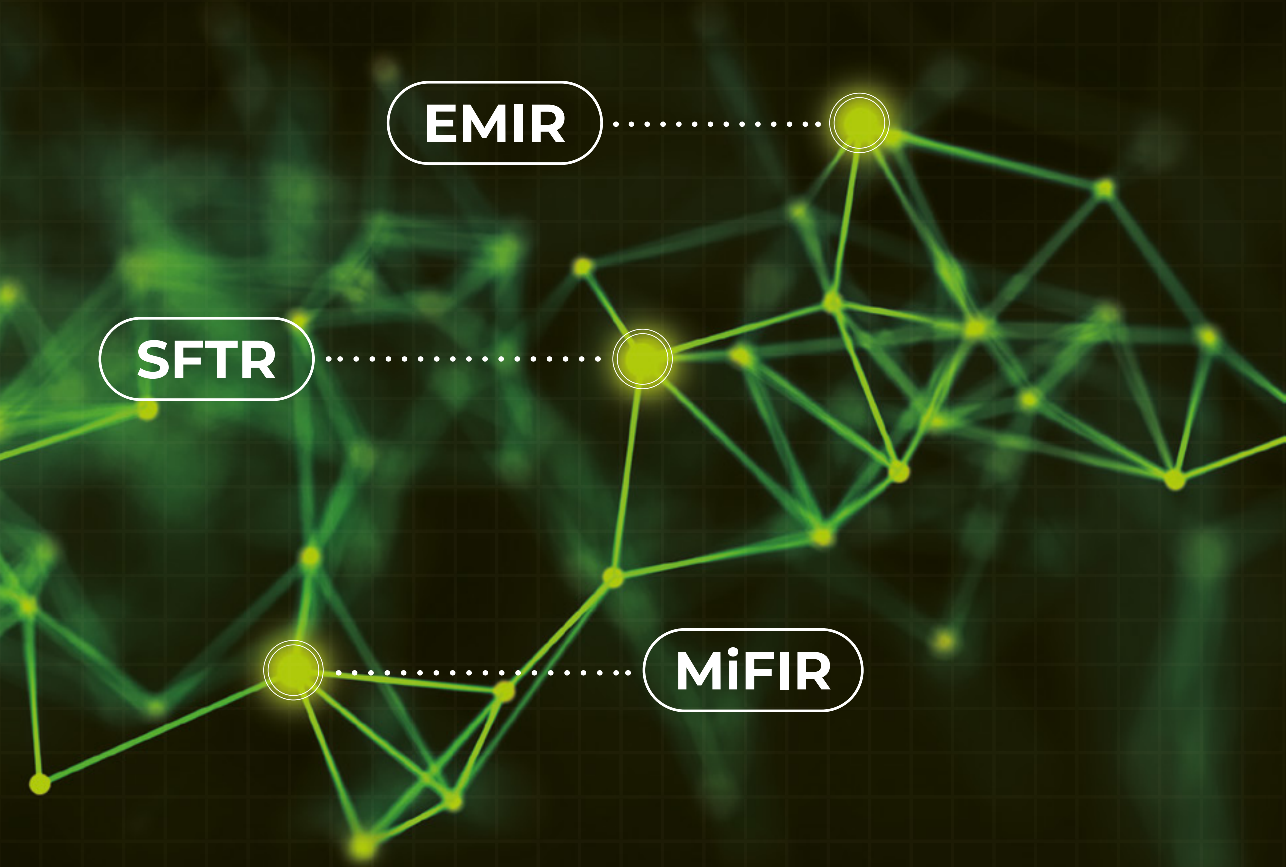

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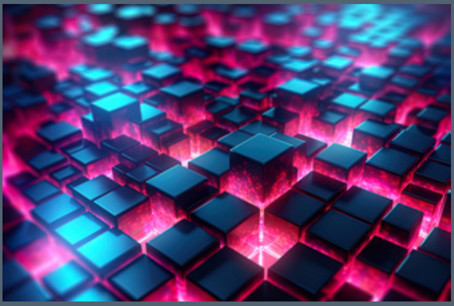

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Updating operational systems to ensure compliance has always been paramount in the financial sector, even more so since the 2008 Financial Crisis.

Some 15 years on, it's well known that the work doesn't stop merely because the regulation deadline date has passed. These days, ongoing challenges and costs just come with the territory. However, in the current economic climate, the usual expectations run parallel with interest rate hikes, exacerbated by the continuing war in Europe.

On the same continent, calls continue for a properly constructed consolidated tape for real-time exchange-listed data, delivering price and volume information which could benefit post-trade functions.

Globally, cyber incidents remain a concern, with organisations in some cases using the support of third-party specialists to improve their operational resilience. And, with T+1 implementation now less than a year away, robust systems will be needed to help firms manage this transition and to prevent any decline in settlement efficiency.

While the aforementioned help to paint the backdrop, contributors to this year's Regulation Annual add more colour. As we get closer to the EMIR Refit go-live dates — 23 April 2024 for the EU and 30 September 2024 for the UK — S&P Cappitech's Ron Finberg outlines the regulation's most significant challenges.

Elsewhere, Broadridge's Demi Derem details the changes SRD II will bring to the European markets.

With an eclectic mix of industry comment, starting with Deep Pool's Roger Woolman, we hope you enjoy reading through this Regulation Annual.

In closing, we take the opportunity to thank all partners who have helped the team put it together.

Jenna Lomax
Deputy Editor

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The front-to-back SFTR solution from MarketAxess

Our SFTR solution helps you to manage the entire SFTR reporting process, from trading and matching to reporting and monitoring.

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Contents

How do you solve a problem like money laundering?

As global money laundering rules continue to tighten, Deep Pool's Roger Woolman examines how financial institutions can meet their heightened responsibilities

Are financial institutions around the world doing enough to implement robust anti-money laundering (AML) and know-your-customer (KYC) capabilities? Recent figures suggest not.

Approximately 1 per cent of the European Union's annual GDP appears to be involved in suspicious financial activity, while the United Nations Office on Drugs and Crime estimates that between 2 and 5 per cent of global GDP is laundered each year. That means that as much as US $5 trillion in illicit cash flows through the global financial system annually.

In addition, a 2022 Eurojust report found that money laundering cases have been rising steadily since 2016, with over 600 brought to the agency in 2021 — more than double the number registered in 2016. The report noted that identifying the beneficial owner of criminal assets is a particular challenge. Cryptocurrencies, which are increasingly misused by criminals to launder illegal profits, pose another.

As gatekeepers to the international financial system, banks and other financial organisations have a duty to police actors' access to it. At present, their efforts are falling short. A litany of AML infractions, KYC system failings and sanction breaches at the world's financial institutions resulted in fines totalling almost $5 billion last year — more than a 50 per cent jump on 2021.

That means that since the global financial crisis, around $55 billion has been meted out in fines. This eye-watering figure raises questions about the efficacy of such penalties to address firms' behaviour and systems weaknesses. However, a new raft of regulations for money laundering and tax evasion are set to tackle the issue.

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Closing money laundering loopholes

One major area of uncertainty is the US bipartisan ENABLERS Act, which aims to close the loopholes used to launder money in the US by establishing new authorities for laundering and risks to security. This proposed legislation comes as Secretary of the Treasury Janet Yellen admitted the US is, at present, "the best place in the world to hide and launder ill-gotten gains."

The ENABLERS Act also seeks to extend federal due diligence and transparency requirements for financial institutions to key professional service providers, including investment advisors, trust companies, accountants and law firms. The Act received approval from the US House of Representatives last July, but was voted down by the Senate in December. However, the Act or similar legislation could be resubmitted in another form, perhaps as a standalone bill, later down the line.

Beneficial owners in focus

In the meantime, an enhanced US rule for beneficial ownership reporting is set to take effect from 1 January 2024. Put forward by the US Treasury Department's Financial Crimes Enforcement Network (FinCEN) last September, the rule forms part of the Corporate Transparency Act, a component of the 2020 Anti-Money Laundering Act.

In a statement on the new rule's release, Yellen said the Act will "make it harder for criminals, organised crime rings and other illicit actors to hide their identities and launder their money through financial systems."

The widespread use of dummy accounts to launder money and evade sanctions is upping the ante on beneficial owner screening. The FinCEN rule will require most corporations, limited liability companies and limited partnerships in the US (including foreign companies registered to do business in the US) to report four key pieces of information about each of its beneficial owners.

These will be names, birth dates, addresses and a unique identifying number from an acceptable identification document (from the jurisdiction concerned). Once the initial report has been filed, any change to a beneficial owner's information must be declared within 30 days.

The information will be maintained by FinCEN in a national beneficial ownership register. Failure to comply with the reporting requirements may result in penalties of up to $250,000.

A third rule under the Corporate Transparency Act will revise FinCEN's customer due diligence by governing the opening of new accounts by financial institutions. The revision is due to come into force no later than one year after the January 2024 implementation date of the regulations contained in the final rule.

The US changes come as tougher beneficial owner rules have been introduced elsewhere. In August 2022, the UK launched a Register of Overseas Entities rule to tackle the flow of illicit money into the country. The initiative followed an extensive package of AML legislative proposals put forward by the European Commission in 2021. It includes new requirements around nominees and foreign entities and more detailed rules to identify beneficial owners of corporations and other legal entities.

At a global level, the Financial Action Task Force has introduced tougher transparency standards around beneficial ownership in an effort to prevent criminals using anonymised corporate structures for money laundering or terrorist financing.

AML weak points

While the rules for key jurisdictions continue to be tightened, curbing the global money laundering threat ultimately depends on financial institutions playing their part.

Capturing and tracking complex, multi-level ownership structures to deliver beneficial owner transparency is an undoubted challenge for the industry. Criminal sophistication certainly complicates institutions' AML and sanctions enforcement tasks. However, many of the lapses – and the resulting regulatory fines and censures – stem from simple process weaknesses.

Inadequate onboarding procedures that lack proper investor and multi-level beneficial owner screening, risk-based profiles of prospective clients and source of wealth checks are worryingly common. As are deficiencies in ongoing due diligence throughout the customer relationship.

AML and KYC responsibilities don't stop once a client is through the door. Post-onboarding, firms need to undertake periodic client profile and documentation checks and continued screenings.

Monitoring and analysing the millions of customer transactions that flow across institutions' books is vital to spot money laundering risks and to block suspicious activity or behaviours. This task has been made more difficult by changes to suspicious activity definitions over time and across jurisdictions.

Staff need solutions

Effective employee training can go a long way to strengthen firms' AML defences. Staff need to be aware of what warning signs to watch out for, and know that sensible, robust procedures are in place for them to follow. However, highly-trained employees can't do it alone.

Effective compliance demands real-time visibility and control at every stage of the client and transaction lifecycle. The volumes of customers and documentation are too great, the criminal networks are too sophisticated, and the cross-jurisdictional regulations that financial institutions must meet are too diverse and exacting to rely solely on manual effort.

In addition, compliance staff costs are soaring. This factor has been exacerbated by a shortage of skilled professionals. Therefore, a growing headcount to tackle problems is not always a viable option. Instead, the future of the compliance function will be data- and technology-driven, according to the most recent Thomson Reuters annual Cost of Compliance report. This means adopting an automated, systematic, multi-jurisdictional approach that ensures firms can report on any suspicious activity to the appropriate authorities may be a significant trend of the future.

With today's breed of customisable, risk-based AML/KYC technology capabilities, firms can digitalise the onboarding journey and create efficient, accurate, robust and scalable client due diligence processes based on rigorous customer screening, risk profiling, beneficial owner tracking and source of wealth checks.

Automated account reviews and ongoing screening — to monitor any change in status throughout the client lifecycle — can help firms identify, mitigate and manage fraud risk. Real-time suspicious transaction and behaviour identification (and reporting) can spot money laundering risks as they arise, trigger automated alerts for follow-up, and block accounts or transactions when suspicious events occur.

Automating repetitive and mundane activities wherever possible will leave teams free to focus on the red flags that require some degree of human judgement, while helping to prevent potential issues from becoming actual breaches.

The rising price of AML failures

The financial crime landscape is becoming ever more complex, while the obligations and expectations placed on financial institutions to combat the threats are growing inexorably.

Firms that don't have the AML capabilities to cope will pay a hefty price – not just in headline-worthy penalties but, more importantly, through the reputational damage they suffer. The latter will no doubt lessen their competition edge.

Creating a fit-for-purpose AML/KYC environment entails a certain amount of investment and reengineering of existing practices.

The price of inaction, though, is far greater.

"Firms that don't have the AML capabilities to cope will pay a hefty price – not just in headline-worthy penalties but, more importantly, through the reputational damage they suffer"

Roger Woolman
Chief revenue officer
Deep Pool

Regulators see the bigger picture

Nick Moss of MarketAxess discusses the advantage regulators have when assessing data quality and how the industry can adopt a similar approach

ESMA's recent paper on data quality highlights the increasingly data driven approach being taken by regulators and the extent to which they are using real-time metrics and sharing data across jurisdictions to help identify data quality issues.

The regulatory data sets required under MiFIR, SFTR, EMIR and other G20 regulations are complex.

In some cases there can be more than 150 fields in a single regulation, combined with the pressures of hundreds of millions of records reported daily.

To fulfil these requirements, data needs to be drawn from multiple different upstream systems within a firm and transformed to meet specific regulatory needs.

To further compound the problem, change is constant within organisations and a small alteration to any of the upstream systems can create big problems once the data has been fed down into the regulatory report.

Advanced techniques are required to effectively analyse and monitor data, and need to be combined with a full reporting data set and smart technologies. Unfortunately, individual firms don't often have these requisite capabilities and this leaves them vulnerable to fines and reputational damage.

The traditional approaches to ensuring regulatory data accuracy are to perform end-to-end reconciliations (a requirement under RTS 22) or periodic sample-based control reviews. On the surface, this control framework appears satisfactory, but when you dig a little deeper there are three key inherent weaknesses.

Context

Without access to the same industry-wide data set as regulators, these controls become too internally focused and omit key market context. Institutions may ask: 'How is everyone else reporting this type of trade?" Or: "Are all my counterparties reporting the same trade timestamp as I am?"

Coverage

By definition, these controls don't cover the whole population of reported trades, meaning, at best, it can take between three and six months to identify an error. At worst, it could be missed altogether. This can mean a relatively small issue escalates into one that requires a significant amount of back reporting to resolve.

Cost

Traditional data quality reviews are often resource-intensive, requiring significant manual effort or the budget for third-party experts to run. Cost is also often the enemy of coverage. It's important to ask how you can improve your data and proactively highlight potential errors, considering the backdrop of increased scrutiny from regulators, the techniques they are employing to monitor the market and deficiencies in traditional models. In essence: how can you start employing the same techniques your regulator uses?

Having listened carefully to how regulators are using their data sets to monitor accuracy, we realised that we could use our unique industry-wide dataset, powered by our network of more than 950 clients, to apply innovative data techniques to help firms undertake similar checks and address the limitations in existing models.

MarketAxess' solution SensAI allows you to assess every field of every transaction you report, providing feedback on anomalies before they become issues. Machines are only as good as the data that feeds them, and that is where the real value of SensAI lies — its ability to provide context. Our regulatory reporting data set gives us a view similar to that of your regulator. This means we can monitor market trends and behaviours to spot outliers in your data that wouldn't otherwise be possible. If the whole industry is reporting a certain transaction type in a particular way, but you are doing it differently, SensAI will spot that.

SensAI's highly automated approach to analysis means cost is no longer a prohibitive factor. The solution is designed to streamline your internal regulatory controls and checks, making them more efficient, more accurate and more consistent. SensAI is here to help you safely navigate the deep and murky waters of regulatory reporting.

"Advanced techniques are required to effectively analyse and monitor data, and need to be combined with a full reporting data set and smart technologies"

Nick Moss
Head of post-trade product management
MarketAxess

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What will SFTR mean for Liechtenstein?

Stefan Knoblauch of Comyno details the Liechtenstein market update on SFTR and the impact of digital assets on securities finance

The Securities Financing Transactions Regulation (SFTR) has been one of the most important regulatory requirements to be introduced to the European securities finance industry in recent times. Three years after its initial implementation, the regulation is due to be introduced to the European Economic Area (EEA), starting with Liechtenstein.

Liechtenstein is home to a highly specialised and stable financial centre with a strong global network. The banks in Liechtenstein play a crucial role in managing client assets, holding a whopping CHF 424 billion (US $475 billion) under management.

The country's EEA membership has been instrumental to its growth since 1995. The region enjoys complete freedom of services across all EU and EEA countries and its EEA membership means it has similar legal requirements for financial market participants to those applicable in EU countries.

The Joint Committee Decisions (JCDs) (No. 385/2021 and No. 386/2021) were signed by the EEA Joint Committee on 10 December 2021 — an important step to gear Liechtenstein up for the SFTR implementation. A series of other delegated legal acts have also been adopted for SFTR to supplement and specify various provisions which also apply in Liechtenstein. These delegated legal acts will come into force with SFTR.

The following gradual applicability results for Liechtenstein, post-JCDs, will come into effect after:

6 months: for banks investment firms/asset management companies and corresponding third-country entities

12 months: central counterparties and central securities depositories and relevant third-country entities

15 months: insurance undertakings and reinsurers, management companies under UCITS/AIFs managed by AIFMs and pension funds or occupational pension schemes and corresponding third-country entities

18 months: non-financial counterparties

The timeline does not seem to be critical at first glance. However, following market recommendations, it is strongly advised that affected institutions take immediate action to analyse both internal and external impacts of SFTR.

Comyno offers C-ONE SFTR, a software solution for all SFTR reporting needs. The solution is built on a highly extendable web-based client-server architecture. It can be easily adapted and integrated into extensive system landscapes.

C-ONE SFTR features a flexible connection to multiple source systems, with consistency checks for input data with configurable error levels. It also has the capability to generate submission files, including technical XSD/XML schema validation.

In addition, it is able to import and allocate feedback notifications from the trade repository to the field the feedback relates to (in case of errors).

It houses a delegated reporting and archiving functionality, with audit-compliance and an option for the extensive logging of manual changes.

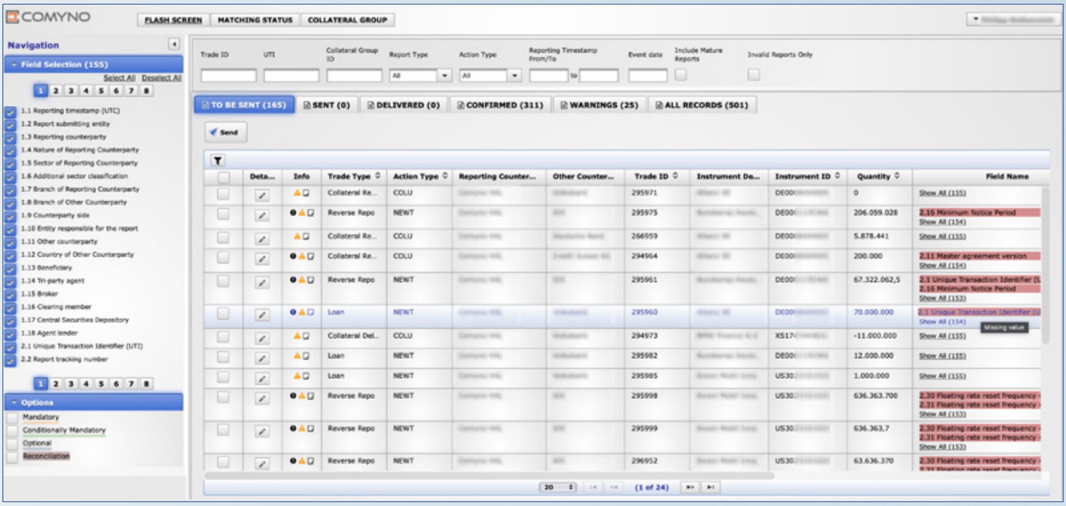
The collateral grouping requirements — the process of uniting different collaterals posted or received in an SFT or bilateral relationship — are complex and dependant on various factors.

The challenge comes when some of the collateral posted has issues due to missing static data.

C-ONE SFTR ensures that market participants report details of the collateral that are posted or received in an SFT, including information about the type of collateral, its value and any haircuts or other adjustments made to its value.

If collateral needs to be updated, C-ONE SFTR follows the SFTR requirement and ensures that all posted collateral is resubmitted.

Liechtenstein and SFTR



The impact on European securities finance

More and more transactions are being processed via distributed ledger technology (DLT). Comyno is already involved in significant transactions. SWIAT, a joint venture between Comyno, DekaBank, LBBW and Standard Chartered, is a pioneer in the context of digital securities transactions.

SWIAT is developing a uniform market standard based on blockchain. The decentralised infrastructure enables securities settlement for regulated financial market participants and securities lending transactions without advance collateralisation. This cost-efficient securities transaction allows real-time and fail-free transfers directly between custodian banks, without the need to move securities at the custody account level.

Consequently, the shift of transactions into the digital world has been recognised by the EU, leading to the development of new regulations. Some key legislations for digital assets are MiFID, the DLT Pilot Regime and the Markets in Crypto Assets Regulation (MiCA).

MiFID has been in force across the European Union since 2007 and initially focused on stocks. However, the original legislation was expanded in 2018 to become MiFID II.

The updated regulation specified the use of DLT, and recognised it as a valid technological solution for financial services.

Under MiFID II, firms that use DLT to execute or settle trades are required to comply with the same regulatory requirements as those using traditional systems.

This includes requirements around record-keeping, trade reporting and transaction transparency. In addition, firms must ensure that DLT systems are secure and that appropriate measures are in place to prevent unauthorised access or cyber attacks.

The DLT Pilot Regime allows fintech firms to test innovative financial products and services using DLT and AI, without being subject to the full range of regulatory requirements.

MiCA, on the other hand, provides legal clarity and consumer protection for the crypto market, which is largely unregulated in the EU.

Under MiCA, service providers that offer custodial services, exchange services and transfer services for crypto assets are required to obtain authorisation from a national competent authority.

The translocation of securities into the digital world, be it via tokenisation or digital issuance, has raised questions about how SFTR applies to digital assets.

Following the general idea and principle of SFTR, digital assets that are used as principal security or collateral are subject to SFTR reporting requirements.

In such instances, the reporting obligations under SFTR have to be taken care of when concluding securities finance transactions.

As an integrated DLT solution, C-ONE SFTR already supports the reporting of digital assets in line with SFTR requirements. Comyno has more than 15 years of experience in securities financing, with a focus on software and consulting.

During this time, we have worked with leading private and public financial institutions, asset managers, clearing houses and tri-party agents, combining expertise in strategy, business and technology.

We can offer extensive experience in standardised and tailor-made solutions to increase functionality and efficiency across the entire value chain of securities finance businesses. Additionally, through our partnership with SWIAT, we are a key part of the industry-wide initiative to develop a blockchain-based financial market infrastructure, specifically for digital and traditional assets.

In 2017 Comyno founded its DLT hub in Serbia and implemented blockchain technology into its trading software, C-ONE.

The Comyno C-ONE suite offers market participantsl tools to navigate the complexities of the financial ecosystem.

"As an integrated DLT solution, C-ONE SFTR already supports the reporting of digital assets in line with SFTR requirements"

Stefan Knoblauch
Principal consultant
Comyno

The devil's in the detail:
getting deeper into EMIR preparation

Cappitech's Ron Finberg outlines EMIR REFIT's most significant challenges

With new technical standards being incorporated into the EMIR REFIT, reporting firms are facing many challenges in preparation for the new regulation, which goes live next year.

As we get closer to the go-live dates — 23 April 2024 for the EU and 30 September 2024 for the UK — preparations which once entailed general queries are now laced with more detailed questions.

Counterparty data gathering

Part of the expansion of reportable EMIR fields, from 129 to 203, includes new Counterparty 2 data that needs to be reported.

Mandatory fields of the following are to be added:

- *Counterparty 2 identifier type (field 8)*
- *Nature of counterparty 2 (field 11)*
- *Corporate sector of counterparty 2 (field 12)*
- *Clearing threshold of counterparty 2 (field 13)*
- *Reporting obligation of counterparty 2 (field 14)*

Reporting firms are obligated to include this information in their EMIR REFIT submissions. Firms must connect with current customers and trading partners to gather this information and store it within existing counterparty-static data. In addition, updated data will be required for open positions for counterparties who are no longer trading.

Some firms with large counterparty lists face the challenge of knowing how and when to collect this information. In addition, firms need to initiate a process to store it while allowing for updates — particularly if a counterparty's clearing threshold status changes.

Which entity is responsible for reporting?

Another new field causing confusion is the 'entity responsible for reporting'. When providing mandatory delegated reporting for customers, such as for non-financial counterparties, the reporting entity is the entity responsible for reporting.

However, there are instances where a financial counterparty (FC) is reporting for its FC customers. In addition, ManCos are designating asset management firms to report on behalf of their underlying fund clients. In these cases, the responsible entity may not be the reporting party.

As firms have progressed with their due diligence, many have encountered edge cases — requiring the careful reading of ESMA's EMIR REFIT Final Reports, to correctly define which entity should be the responsible party.

Do I update all positions on day one?

Firms are also trying to find the best way to update information on existing positions before the REFIT go-live. From its go-live date, the regulation allows firms 180 days to submit these updates. However, just because you have extra time doesn't mean you should wait.

On the one hand, firms can take the staggered approach by focusing on 'day one' reporting of new transactions with the updated standards. Once that is accomplished, updates of existing positions can be applied at a later stage.

On the other hand, there is the 'big bang' approach. This means updating positions and new transactions on day one, ensuring that all positions are covered without having to manage separate loads.

Which lifecycle events are relevant to me?

Another significant change under the REFIT technical standards is the enhancement of lifecycle event information that is reported. Currently, firms report an 'action type' and 'level of trade', either as a transaction or position. 'Event type' is a new field being introduced, which defines what triggered the action.

The most common event type values are trade, early termination, clearing and inclusion in a position. These are expected to cover the vast majority of all report submissions. Also included are event type values for corporate events, exercise, credit events and allocations.

As firms continue to map out their transaction data to meet REFIT fields, many are finding that all of their relevant event type examples aren't being captured in their source data. This creates a challenge when determining if the event type data exists in any internal records.

If it does exist, how can it be downstreamed for reporting? In cases where events such as corporate actions aren't being captured at all, a reevaluation is required to determine how best to document these details and use them for reporting.

FCA and ESMA divergence go-live

In February 2023, the UK Financial Conduct Authority announced that the UK would go live with the REFIT technical standards on 30 September 2024. The UK's version is very much aligned with the EU's. However, with dual go-live dates for similar reporting, it creates its own challenges.

Firms with reporting obligations in both the EU and the UK do not have a designated mechanism to support submissions of the current and new formats between the separate go-live dates.

One option to mitigate this issue is to prepare to report for the REFIT format for both jurisdictions in time for the initial 29 April 2024 deadline — 'turning on' the reporting of UK submissions in the new standards from the September implementation date.

Firms providing delegated reporting need to evaluate how they will handle cross-jurisdiction reporting.

For UK firms reporting on behalf of EU counterparts, this means reporting to the new standards in April 2024, and not waiting until September.

Conversely, EU firms will need to continue to submit their reports in the old format for their UK counterparties.

Ron Finberg
Product specialist director
S&P Global Market Intelligence Cappitech

Ron is a product specialist director at S&P Global Market Intelligence Cappitech. He helps customers with their compliance of EMIR, MIFIR, SFTR, MAS and ASIC derivative reporting. Finberg is an ongoing contributor of regulatory-focused content and webinars. He has more than 20 years of experience in the financial industry.

SRD II, ESG and the European regulatory focus on the shareholder

Broadridge's Demi Derem outlines the changes SRD II will bring to the European markets

The Capital Markets Union (CMU) places the investor at the centre of the plan to encourage greater retail participation and more foreign investment into EU financial markets. One of the areas of significant focus for the European Securities and Markets Authority (ESMA) and the European Commission (EC) is the asset servicing space, as part of the push to improve transparency and engagement between issuers and investors, specifically encouraging automation and shareholder participation in corporate governance.

The EU's revised Shareholder Rights Directive (SRD II) has been a key piece of regulation for the asset servicing space in Europe since it came into force in September 2020. SRD II is targeted at improving transparency between issuers and their shareholders and encouraging investors to engage more frequently in shareholder voting activities. It reflects the increased regulatory focus on corporate governance and fostering shareholder capitalism in the region over the last five years.

Though SRD II is certainly a step in the right direction for improving the transparency of the proxy voting space, there is room for improvement in a practical sense when it comes to market efficiency. The implementation of the directive remains relatively inconsistent across the region. The crux of the problem lies with the nature of SRD II as a directive rather than a regulation, which means it has been interpreted differently by national competent authorities across the EU. This divergence in interpretation reflects the fact that the definition of 'shareholder' varies from country to country within the region, which makes the fundamental application of the directive challenging from the start.

In terms of positive improvements, connectivity between market intermediaries has evolved to facilitate the timely transmission of sensitive information, such as shareholder identity. Some intermediaries, particularly retail banks and brokers, have had to implement brand new technology and connectivity as a result of the need to provide their underlying clients with the ability to vote at issuer meetings.

In many cases, market intermediaries have maintained legacy channels of communication to relay common data points under SRD II. These include the ongoing use of ISO 15022 message standards, bespoke proprietary channels, and non-standard formats. However, legacy communication methods lack the capability to include many SRD II details in standard machine-readable fields without enhanced support models. In several cases, this is contrary to the permissible formats described by the directive. Additionally, this causes manual intervention and delays in further disseminating event information across the investor chain. Due to the current delay in the industry adoption of Securities Market Practice Group (SMPG) recommended MX 20022 messaging, much of the desired automation, efficiency and transparency that the European regulators hoped to bring to the industry is still to be achieved.

Not all market participants have made the necessary changes and investments required to be compliant with SRD II. Additionally, delays in the transposition process have resulted in several markets failing to complete the transposition process on the launch date, which has added to the industry's challenges in trying to achieve compliance across all member states. Based on Broadridge's analysis, 75 per cent of eligible intermediaries that have holdings in SRD II markets have yet to fully adopt SMPG-recommended MX 20022 messaging.

ESMA will likely address lagging transpositions with national competent authorities over the next 24 months. In the meantime, national market practices will continue to differ significantly.

The gaps in SRD II

There are differences in interpretation and a lack of consistency in event announcements across the individual markets. For example, several intermediaries within the same member state may provide individual, inconsistent event-level data points and reference numbering for the same event.

"The crux of the problem lies with the nature of SRD II as a directive rather than a regulation, which means it has been interpreted differently by national competent authorities across the EU"

This causes unwanted manual intervention and increases the potential for votes to be rejected. Differences in the number of agenda proposals and consistency in proposal numbering, key dates and referencing may result in processing challenges and raise the number of risk profiles.

The previously noted differences often cause numerous systemic and automated vote rejections due to ad hoc intermediary processing. Intermediaries may reject votes due to inconsequential formatting infractions, which, in turn, causes votes to be delayed, and, as a result, leads participants to miss voting deadlines. Standardisation and consistent usage of ISO 20022 SMPG-compliant messages, for the dissemination of event-level information from issuers and issuer agents, could address these process deficiencies at source.

The intention of the European regulators in introducing 'vote without delay' was to enhance transparency by passing proxy voting instructions through the chain of intermediaries upon receipt. The immediacy of delivery would therefore provide issuers with improved vote transparency prior to the voting deadline or meeting date.

As 'vote without delay' was not adequately defined within the directive, market practices were not aligned across domestic and regional regulators, which made it very difficult to implement. The cost and process changes required for intermediaries to implement the vote without delay requirements were also detracting factors in local market adoption. As a result of these factors, the European-level adoption of 'vote without delay' is currently very low.

Vote confirmation is another area where disparate market transposition has impacted issuer and intermediary adoption. Post-meeting vote confirmations are lacking in certain markets, as issuers and their issuer agents have not established the requisite capabilities to deliver such confirmations. However, confirmations are a vital component for institutional end-investors, as they allow their advisors to record and prove their compliance and participation in the general meeting process. Confirmations may also be necessary to validate certain ESG credentials, which means regulators are likely to take further action in future.

The market differences in SRD II transposition impact the amount of shareholder information issuers can expect to receive and, subsequently, the quantity of information intermediaries are required to disclose. Unfamiliarity with the local transposition can also lead to intermediary over-compliance with the disclosure of personal identifying information, in response to issuer requests.

The different national definitions of 'shareholder' also impact the usefulness of the disclosure requirement under SRD II in certain markets. As previously noted, in the UK, Ireland, and Malta, the 'shareholder' is defined as the registered holder, thereby challenging the disclosure requirements under SRD II.

In addition, the directive provided local authorities with the possibility of implementing disclosure thresholds of up to 0.5 per cent of issued share capital before shareholder information needed to be disclosed. Austria, Cyprus, Estonia, Gibraltar, Slovakia and the Netherlands have all included such thresholds in their transposition of SRD II. These varying thresholds are difficult for intermediaries to manage, as many clients have split portfolios.

Given the popularity of governance as a topic, due to ESG investment strategies and investor appetite, the market can expect the volume of voting at general meetings to increase year on year.

If the EU's CMU plan goals are realised, retail participation will grow, and this will increase the number of shareholders voting at these meetings. This, in turn, will require firms to further automate processes to support the required notifications and confirmations as mandated under SRD II and its successor, once ESMA has finished its review in 2023.

To Rewrite or not to Rewrite is no longer the question

Big changes are afoot in the European compliance space — they will come from the west and sweep their way east. All will change, affirms Paul Rennison, director of product management at deltaconX

"The methods behind how firms report and how they are assessed will completely change, from regulator to firm and back to regulator"

Paul Rennison
Director of product management
deltaconX

Dramatic license aside, the coming years will bring enormous changes for those involved in compliance and regulatory reporting. The programme of global regulatory rewrites aims to create a more stable and sustainable global financial system, while promoting economic growth and increasing transparency to protect consumers and investors. At the start of the wave is the Commodity Futures Trading Commission Rewrite, from the US. From Europe, the EMIR REFIT will follow, and we'll end with MAS, HKMA and ASIC from Asia.

What will the new reporting landscape look like when the waters subside? What could be swept away?

As the Chinese proverb says: 'May you live in interesting times' — that we certainly do.

The methods behind how firms report and how they are assessed will completely change, from regulator to firm and back to regulator. We'll also witness an increase in the use of modern technologies, especially AI.

However, like a trip to the doctors, there is often pain before the medicine is prescribed, and a cure is seldom instant.

Similarly, in the financial markets, while firms may face short-term challenges in an effort to adapt to these changes, the long-term benefits can outweigh the costs.

These changes have been influenced by several key drivers including:

Technological advancements: *Rapid technological progress has significantly disrupted traditional industries and created new ones. Technologies like AI, blockchain and big data analytics have changed the way businesses operate — necessitating updated regulations to address potential risks and opportunities.*

Globalisation: *The increasing interconnectivity of economies has resulted in a higher degree of cross-border trade and investment. This demands more harmonised and efficient regulatory frameworks to ensure global financial stability while minimising the risk of regulatory arbitrage.*

Lessons from past crises: *The 2008 Financial Crisis exposed weaknesses in existing regulatory systems, leading to a renewed focus on enhancing financial stability, tightening the oversight of financial institutions and strengthening investor protections.*

Evolving societal values: *The growing focus on ESG issues, such as climate change and income inequality, has led regulators to integrate these concerns into their rule-making processes.*

Cost: *It is very expensive for global firms to meet their regulatory obligations, as they have to maintain multiple separate data sets collected from multiple source systems. It has become a high risk and high cost to monitor, manage and maintain these ecosystems.*

Lack of efficiency: *The current reporting architecture is inefficient and doesn't support its primary goal, which is to ensure that the regulators have a clear line of sight across the trading positions of their members and are able to take quick action if alarms are triggered.*

Standardisation and harmonisation

The industry drive toward standardisation has been led by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO).

They have been working together to standardise regulatory reporting to increase the efficiency, transparency and stability of financial markets.

Their aim has been to standardise and harmonise the framework for reporting, with the express goal of removing the inefficiencies and isolation of each reporting regime.

"By having a clear and standardised reporting framework, financial market participants can better understand and manage their risks"

The key areas intended to be enhanced are:

Harmonisation: *Creating a globally consistent framework for reporting, therefore reducing the differences between jurisdictions and making it easier for market participants to comply with regulations.*

Data quality: *The standardisation process aims to improve the quality of reported data by providing clear guidance on reporting requirements and data definitions. This would enable regulators to better monitor and analyse the risks associated with financial market activities.*

Timeliness: *With standardised reporting, regulators can access data quickly and efficiently, enabling them to respond to emerging risks and challenges in a timely manner.*

Risk reduction: *By having a clear and standardised reporting framework, financial market participants can better understand and manage their risks, leading to greater overall stability in the financial system.*

It's all about the data

The introduction of standardised data definitions, or common data elements (CDEs), is a central tenet of the route to standardisation which the industry should laud. The macro intentions are sound and will lead to a more sensible regime, in time.

However, while the introduction of CDEs into global regulatory transaction reporting can offer several benefits to firms, there are some potential negatives that need to be considered.

These include:

Implementation costs: *Adopting CDEs may require firms to invest in new systems, tools or technologies to ensure their data is consistent with the standardised definitions and formats. This can lead to substantial upfront costs, particularly for smaller firms with limited resources.*

Staff training and expertise: *Firms may need to invest in staff training and development to ensure employees are knowledgeable about the new data standards and reporting requirements. This can be time consuming and may divert resources from other strategic initiatives.*

Data integration and transformation: *Firms may face challenges in integrating CDEs into their existing data systems, particularly if they have multiple legacy systems or data silos. This will require significant effort to ensure data consistency and accuracy while avoiding duplication and errors.*

Ongoing maintenance and updates: *Regulatory reporting requirements and data standards are subject to change. Firms will need to stay up-to-date with any revisions to CDEs and adapt their systems and processes accordingly, which can be resource-intensive.*

Loss of proprietary information: *In some cases, the adoption of CDEs may require firms to share proprietary information or unique data elements with regulators, which could raise concerns about competitive advantages or intellectual property protection.*

Privacy and data security concerns: *The increased standardisation and sharing of data through the use of CDEs may raise concerns about data privacy and security. Firms will need to ensure that they have robust data protection measures in place to comply with relevant regulations and safeguard sensitive information.*

Limited flexibility: *While CDEs aim to simplify and harmonise reporting requirements, they may not adequately address the unique needs or circumstances of individual firms or industries. This could lead to a one-size-fits-all approach that does not fully capture the specific risks or nuances of certain market participants.*

Short-term impacts of implementation include:

Increased compliance costs: *Firms may face higher compliance costs as they adapt to new regulatory requirements. This could involve investing in new technology, updating internal processes or hiring additional staff.*

Enhanced stability and resilience: *New regulations aimed at promoting financial stability and reducing systemic risk can help create a more resilient business environment.*

Improved market access: *Harmonised regulations can facilitate cross-border trade and investment, creating new opportunities for firms to expand their global footprint.*

Shift in business models: *Firms may need to re-evaluate their business models and strategies in response to new regulations. This could lead to new market opportunities or the need to pivot to different industries or sectors.*

The role of AI

Rewrites have been introduced to drive ambiguity out of reporting by increasing the number of fields being reported. They have also been introduced to standardise how fields are described. This will increase the amount of data that regulators are going to have to monitor and analyse — this is where timing and advances in technology can combine their strengths. Regulators, like all firms, are utilising AI technology to improve both the amount of data they can survey, but also to increase their options for the speed and depth of their analysis.

AI has driven harmonisation and standardisation globally. It has also underpinned a move toward more prescriptive models. Its presence has already helped regulators to analyse data at a greater speed, enabling patterns to be detected earlier. This will only continue.

Regulators are also leveraging AI to reduce systemic risk. By employing AI techniques, they can identify potential risks or compliance issues and make more informed decisions.

We are just at the start of AI's journey, and no one can be sure where it will lead. In the short term it will add strings to the regulators' bow, ensuring a clearer view of the systemic risks in our market.

This phase of rewrites has just started, and there is much work to be done. In the long run our goals are sound — we should all benefit from the changes. However, there are always some pain points after any major operation.

The key areas intended to be enhanced are:

Anomaly detection: *AI algorithms can automatically detect unusual patterns or outliers in transaction data that may indicate potential market abuse, fraud or other irregular activities. This allows regulators to identify potential risks and take corrective action at a faster rate than previously possible.*

Network analysis: *Regulators can use AI-powered network analysis tools to map out relationships and connections among various market participants. This helps them understand the interconnectedness of the financial system and identify potential sources of systemic risk.*

Risk modelling and prediction: *AI techniques can help regulators build more sophisticated risk models to predict potential risks and vulnerabilities in the financial system. By incorporating advanced analytics and machine learning, these models can provide more accurate and timely insights for regulatory decision-making.*

Supervisory automation: *AI-powered tools can automate certain aspects of regulatory supervision, such as monitoring compliance with reporting requirements or analysing financial statements, enabling regulators to focus their resources on more complex or high-risk activities.*

Regulatory reporting: *AI can help regulators streamline their own reporting processes, making it easier for firms to submit accurate and complete data. By improving data quality, regulators can enhance their ability to analyse transactions and identify potential risks.*

Cross-border data sharing and collaboration: *AI can facilitate data sharing and collaboration among regulators in different jurisdictions, enabling them to identify and address global systemic risks.*

Crisis of confidence

Jenna Lomax examines the Credit Suisse crisis and questions if the incident proved that post-2008 regulations are no longer fit for purpose when it comes to managing risk

To say that the global economy went into meltdown after Credit Suisse's shares dramatically slumped in March would be an overstatement.

It remains an overstatement, largely thanks to UBS, who acquired the Swiss bank under emergency orders issued by the Swiss Federal Council on Sunday 20 March.

Far from a lazy Sunday, other central banks and global stock markets simultaneously scrambled to keep the market afloat, as chairman of UBS, Colm Kelleher, deemed the crisis "an emergency rescue."

By 12:57pm (GMT), the BBC's business editor Simon Jack remarked: "Regulators in Europe, the UK and the US will be breathing a sigh of relief that the deal for UBS to buy Credit Suisse at a knockdown rate [...] has seemingly calmed frayed nerves."

For those wondering, it was bought for 3 billion Swiss francs (US $3.25 billion, £2.63 billion).

Jack added: "The regulators have moved quickly and offered more help than banks have currently taken up — which means they either fear things could be worse than they look, or they want to stay a step ahead of events. Everyone hopes it's the latter." Just 13 minutes later, a Downing Street spokesperson released a statement affirming that "the UK banking system remains safe."

UBS's move managed to quell what Swiss regulator FIMNA described as a "crisis of confidence."

At that point, comparisons to the 2008 Financial Crisis began to simmer down. That year's aptly titled Madonna hit: '4 Minutes (To Save the World)', was saved airplay over a montage of stock market floor panic. Perhaps that's a good thing — let's leave that song in the noughties.

Skip forward to 2023 and we have a rise in interest rates, due to wider geopolitical turmoil including, but not limited to, the Russian invasion of Ukraine. Aside from Putin's horrific attack on humanitarian liberties, the ongoing conflict has hit the value of investments across the world. This has underpinned a lack of investor confidence and bank share prices.

However, the more central issue at the heart of the Credit Suisse saga is arguably the need for more accurate financial reporting. Better reporting could have highlighted the road to Credit Suisse's own car crash, before so much damage was done. Yet it appears no one at Credit Suisse was looking in the rear-view mirror, nor judging the onward traffic.

"With investors scrutinising performance daily and imminent new regulations demanding more reporting, there has never been a more pressing need for financial institutions to overcome their client and regulatory reporting challenges," explains Clement Miglietti, chief product officer at NeoXam.

"The issue is, as with so many issues relating to market infrastructure, the bigger the problem the harder it is to produce a definitive solution," he adds.

On Monday 21 March, tensions around the health of banks were contagious. In today's world, money can be moved at the click of a button when even the slightest of doubts are spreading.

But despite the anxieties, that morning, the Dow Jones and the S&P 500 indicies were both up, with Nasdaq only down slightly.

The initial fear seemed to peter out in the aftermath — again, largely thanks to UBS and FINMA.

Images by digital_vision_lab/stock.adobe.com

Sign of the times

However, let's not forget that Credit Suisse's crisis was not a one-off glitch in the matrix. Small reverberations had been making waves elsewhere, and certainly before 20 March. On 10 and 12 March respectively, US banks Silicon Valley Bank (SVB) and Signature Bank collapsed.

Anatoly Crachilov, CEO and founding partner of Nickel Digital, says of SVB's demise: "It's significant. Not only because SVB has grown to become a top-20 US bank by total assets, but because its failure has highlighted accounting arrangements that allow banks to legally conceal accumulated losses.

"The daily mark-to-market approach implies that trading assets are carried on their fair value — the closing price of each trading day. However, current accounting standards allow banks to carry some securities at their original acquisition price without the need for mark-to-market, as long as they are formally classified as 'held to maturity (HTM)'.

"In the case of SVB, the 'unrecognised' losses in their HTM portfolio grew to staggering proportions. In Q3 2022, the HTM portfolio contained US $15.9 billion of unrealised losses, compared to just $11.5 billion of the bank's tangible common equity. Effectively, SVB has been insolvent since at least last September," affirms Crachilov.

At time of writing, SVB's rival First Citizens BancShares bought its assets and loans. Despite SVB's 'eleventh-hour saving', calls for accurate and timely reporting still abound.

As NeoXam's Miglietti affirms: "[Accurate and timely reporting] may not solve all the headaches financial institutions face, but they will at least move the issue on from something that is endlessly debated to a tangible solution. Good reporting allows institutions to focus their efforts on expanding services to investors, opposed to being weighed down by heavy reporting administration," he adds.

"Good reporting allows institutions to focus their efforts on expanding services to investors, opposed to being weighed down by heavy reporting administration"

Anatoly Crachilov, Nickel Digital

Where did it all go wrong?

Headquartered in Zürich and established in 1856, Credit Suisse grew to be the second-largest lender in recent years. However, in hindsight, the writing seemed to be on the wall in October when it cut 9000 jobs and restructured its business. As recently as 16 March, it borrowed US $54 billion (£44.5 billion) from the Swiss central bank to balance the books. Credit Suisse was considered 'too big to fail' — yet so was the Titanic, a mere two hours before it hit the ocean floor. Were the warning signs too late for Credit Suisse to avoid smashing into its own metaphorical iceberg?

"Since 2008, increased regulatory requirements in corporate governance, risk-taking, and liquidity provisions have created positive structural adjustments in the banking sector," affirms Massimo Ferrari, CEO of Assetmax AG, an Infront company.

Despite this, Ferrari adds: "Wealth management is a rewarding industry for the firms who know how to navigate a post-2008 world. The recent events hit on one important area in particular: regulatory expectations have failed to meet the risk management and governance policies implemented by some institutions, despite institutions being better capitalised and more robust than in 2008."

He concludes: "More effective risk management can be achieved at the firm level through better data and improved analytical capabilities, alongside employing strong portfolio management systems that give teams complete visibility within and across client portfolios."

How to manage regulatory divergence post-Brexit

Simon Treacy, senior associate at Linklaters, highlights the challenge of navigating EU and UK financial regulation and discusses how technology can help chart a course to compliance

In financial services, it is important to know the rules of the road. In Europe, these rules proliferated after the 2008 Financial Crisis and were then duplicated when the UK left the EU. Brexit resulted in changes to the law but also to firms' operations.

Many financial services firms now operate both in the EU and the UK, often with business and support functions spread across multiple locations.

As the two rulebooks continue to evolve, the regulatory framework that firms must manage becomes more complex. For legal, compliance and risk teams, keeping on top of divergence is a high priority.

Three main problems arise. Firstly, how to source the current version of the EU and UK rulebooks and visualise the difference between them.

Secondly, how to anticipate future regulatory change and understand its implications. Finally, how to apply the rules consistently across multiple businesses and multi-jurisdictional operations.

Linklaters Law Compare offers a solution to all three. The tool:

- provides a comprehensive view of both the EU and UK MiFID rulebooks — easily navigable via rule maps
- allows the tracking of divergence today, from the past and into the future
- enables the sharing of commentary on specific provisions with teams with insights available from Linklaters lawyers

Navigating the law

A key issue stems from how the UK inherited EU law at the end of the Brexit transition period. Swathes of legislation, which had previously applied automatically when the UK was a Member State, needed to be retained on the UK's statute books.

Financial firms doing business in the UK now need to manage a patchwork of rules spread across multiple sources. These include primary and secondary UK legislation, retained EU law, some technical standards in legislation and other technical standards in the regulators' rulebooks. It also involves regulator-made rules set by EU authorities that have been retained by the UK regulators, plus Financial Conduct Authority (FCA) and Prudential Regulation Authority directions, webpages and other materials.

The picture is complicated further by the changes that have been made to the law since Brexit. First, the UK tweaked financial services legislation as part of the 'onshoring' of EU law so that it would continue to work in a UK-only context. Now, the UK has started making more substantive policy changes to better tailor the rules to the UK market.

In principle, accessing the latest version of the law should not be difficult. In practice, it is hard to get your hands on several important pieces of UK financial regulation.

Case study

Take the UK's version of MiFIR — this is a vital piece of the regulatory framework for financial markets, but no up-to-date version of UK MiFIR is available online. The National Archives only provides a snapshot of the law as it stood before Brexit took effect, nearly three years ago.

Since Brexit, the UK's MiFIR has been amended by onshoring regulations, the Financial Services Act 2021 and secondary legislation to implement 'quick fix' policy measures. With every step, the UK has moved further away from the pre-Brexit status quo.

To ensure effective compliance with their obligations, firms need to have confidence that they are referring to the latest version of the law and understand the divergence from pre-Brexit standards that has already taken place.

"Firms need to scan the horizon for future change, engage with upcoming changes in context and understand the impact on their business"

Managing regulatory change

There is still more change to come. In the UK, the Financial Services and Markets Bill 2023 reshapes the future regulatory framework in both the short term and the long term. For example, in the short term, the Bill amends UK MiFIR to implement key outcomes from HM Treasury's Wholesale Markets Review. These amendments include removing the share trading obligation and double volume cap, redefining what qualifies as a systematic internaliser, and allowing the FCA to introduce a simplified transparency regime for fixed income and derivatives.

Meanwhile, the FCA has recently finalised a first set of amendments to post-trade reporting which will start to apply in 2024, with more consultations to follow.

In the longer term, the Bill grants extensive freedom to the UK Government and regulators to reform UK regulation so that the direct obligations on firms exist in the regulators' rulebooks rather than on the statute books.

The EU is not resting on its laurels either. For example, the EU's MiFID Review is currently exploring several important changes, including pre- and post-trade transparency requirements.

Firms need to scan the horizon for future change, engage with upcoming changes in context and understand the impact on their business.

Mapping divergence

The aforementioned changes underline how divergence is an inevitable consequence of Brexit. The regulatory framework for financial services will always evolve in response to market developments.

Regulatory change is also being accelerated by political incentives. Whether this is driven by the principle of strategic autonomy or international competitiveness, both the EU and UK are seeking to leverage regulation to protect and grow their respective financial sectors.

This dynamic divergence between the EU and UK presents a headache for firms subject to both sets of rulebooks. Typically they will need not only to assess the impact of regulatory change within one jurisdiction, but will also have to map it against the other and apply compliance controls consistently across both regions wherever possible.

The devil is in the details. Both the EU and UK have made changes to specific aspects of the transparency requirements under their respective MiFID frameworks. These amendments start to apply at different times, meaning that firms must juggle successive changes to the detail of the respective rulebooks.

Consistent interpretation

As the rules evolve and the rulebooks diverge, many firms struggle to ensure consistent interpretation of specific areas of EU-UK law. The risk is potential divergence of advice across legal teams and businesses, and duplication of effort and cost.

Before Brexit, firms may have had one office acting as their EMEA hub. Today the picture is likely to be more fragmented, with individuals covering multiple offices across different jurisdictions. This increases the importance of having knowledge management processes to help share house views and interpretations across a firm.

Having all the relevant rules and guidance in one place is a good start. Drawing on the same resources mitigates the risk of some individuals using out-of-date versions of the law.

Ideally, a 'one-stop shop' for regulation would be interactive to allow users to engage with the source materials. The meanings of defined terms should be easily accessible, and relationships between different parts of the rulebook should be linked. It would be even better to overlay the law with additional notes, commentary and links to further resources to help share know-how with the relevant individuals at the firm.

Your new legal compliance toolkit

The path to regulatory compliance has never been more challenging. Fortunately, a map is available. Linklaters Law Compare is an interactive and collaborative solution that enables you to stay ahead of the rapidly changing regulatory framework. Providing full coverage of the EU and UK MiFID regimes, a view of the rules is enhanced by legal commentary from Linklaters lawyers.

Subscribers to Linklaters Law Compare benefit from:

- Easy access to a definitive source of law and regulation
- Quick and efficient intra-regime and cross-regime comparison
- Live tracking of EU-UK divergence, including tracked changes and side-by-side perspectives
- The ability to annotate the rulebook and share these views with a team
- Access to additional commentary provided by Linklaters' subject matter experts
- Powerful and dynamic rule maps, enabling increased efficiently with regulations
- Valuable anticipation of incoming regulatory change
- A critical path to legal compliance, enabling operations across multiple jurisdictions

The regulatory horizon may be uncertain, but Linklaters Law Compare is there to guide you.

"As the rules evolve and the rulebooks diverge, many firms struggle to ensure consistent interpretation of specific areas of EU-UK law"

Simon Treacy
Senior associate
Linklaters

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Comyno is a specialised fintech company with more than 15 years of experience in securities finance, focusing on software and consulting. The company is led by its founder Markus Büttner, Admir Spahic and Frank Becker.

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Comyno has extensive experience in providing standardised and tailor-made solutions, increasing functionality and efficiency across the entire value chain of securities finance business. This is the main reason why customers choose Comyno's C-ONE software solution and consulting services. The company's innovative strength is demonstrated by its expertise in the area of DLT/blockchain and its practical application.

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At **Deep Pool**, we are dedicated to helping clients maximise their success. Deep Pool provides the industry-leading compliance software and deep consulting expertise financial institutions need to automate their end-to-end AML/KYC and FATCA/CRS reporting processes.

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Deep Pool is a global organisation with offices in Dublin, Ireland, the US, the Cayman Islands and Slovakia.

For more information, visit: ***www.deep-pool.com.***

deltaconX AG is a Swiss company based in Lucerne, specialising in the provision of regulatory transaction reporting services since 2013.

deltaconX AG supports global financial and non-financial services and entities including energy and commodity trading firms, to meet their reporting obligations across multiple regimes.

The SaaS-based platform simplifies reporting under the following regimes: EMIR (EU and UK), MiFiR Art26 (ARM, EU and UK) MiFiR Art20/21 (APA), SFTR (EU and UK), FinfraG, REMIT, CFTC, MAS, ASIC and MMSR.

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KDPW Group is one of the key infrastructure institutions of the Polish financial market and European central and eastern region. KDPW has more than 26 years of experience in the Polish and European capital market and offers a broad range of financial services to Polish and international clients.

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- KDPW_CCP - A modern central counterparty clearing house, which clears on-exchange trades and over-the-counter derivatives using a robust guarantee system that reduces the risk of counterparty default. It is authorised under EMIR for clearing in Polish zloty and euros.

- KDPW Trade Repository - One of only a handful of fully authorised trade repositories in Europe, offers a wide selection of reporting services, including EMIR and SFTR, and is accredited as an approved reporting mechanism under MIFID II and MIFIR.

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