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AFG'S RESPONSE TO ESMA CALL FOR EVIDENCE

Simplification of transaction reporting

AFG

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SIMPLIFICATION OF TRANSACTION REPORTING

PRELIMINARY REMARK

The AFG welcomes ESMA's ambition to simplify transaction reporting obligations and for the possibility to provide its views on this important topic. The initiative reflects a much-needed shift towards more proportionate and effective regulation, and it is well aligned with the broader ambition undertaken by the European Commission, in its Competitiveness Compass, to reduce regulatory burdens across the EU financial markets.

We also welcome ESMA's decision to pause the finalisation of RTS 22 (on transaction reporting), 23 (on the identifying reference data for OTC derivatives) and 24 (on order data record keeping), to rather concentrate on reviewing the whole reporting transaction framework before adding on it. It's a good first step towards burden reduction. A revision in isolation, without considering the broader context of parallel or upcoming revisions in other regulatory frameworks, often leads to increased complexity and confusion for reporting entities. The absence of a holistic, coordinated approach can result in inconsistencies, overlapping requirements, and unclear obligations, ultimately undermining the effectiveness of the reporting regime and placing additional strain on firms' compliance efforts.

Over the past years, we have observed a significant increase in the volume and granularity of data fields required under transaction reporting frameworks (EMIR refit, MiFIR, EMIR 3.0). Despite this growing complexity, persistent data quality issues remain. This indicates that more data does not necessarily lead to better supervision outcomes and that the current approach may not be delivering its intended results.

The burden on firms, asset managers, has become increasingly heavy. Compliance with these complex reporting requirements entails high costs, both in terms of human resources and IT infrastructures. Connectivity costs, systems integration and the need to adapt to constantly evolving reporting formats, all represent a substantial operational challenge. Moreover, certain data elements collected have limited relevance to market supervision and risk creating inefficiencies within the system.

We also note a troubling level of duplication, as similar or identical data is often required under different reporting frameworks. This overlap, combined with a lack of harmonisation in definitions, technical standards, and the multiplicity of collecting bodies, adds further complexity. Firms are often required to respond to overlapping requests using inconsistent methodologies, which can undermine both data quality and regulatory compliance.

Finally, while this is an ESMA consultation, we encourage reflection on the importance of cross-border alignment and most particularly with the UK. Many firms operate across both jurisdictions and must navigate parallel reporting regimes. Greater coordination between EU (ESMA) and UK (FCA) approaches would significantly reduce the operational burdens on cross-border market participants.

To summarise, we believe that much work needs to be done to streamline transaction reporting. Timing is of the essence and while ambitious changes are necessary to address current challenges, it is equally important that these reforms be implemented rapidly. ESMA's proposed timeline already appears too long to effectively respond to pressing issues, due to the overly complex nature of the European legislative process. To enable faster solutions, it would be preferable to avoid modifying Level 1 legislation where possible and instead adjust through Level 2 measures. Below are some of our initial reflections on ESMA's proposal, where we believe a phased approach would be the most efficient way forward. The industry stands ready to engage with ESMA and other authorities to explore concrete, pragmatic solutions.

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Q1. Do stakeholders agree with the description of the key challenges outlined above? Is there any other issue linked to multiple regulatory regimes with duplicative or inconsistent requirements that is not reflected in this section? Out of the 10 sources of costs identified in this section and the ones that you may add, what are the three main cost drivers in your view?

The AFG agrees with the key challenges identified by ESMA and that must be addressed through any future revision.

As explained in our preliminary remark, frequent regulatory changes and the absence of a holistic approach (inflexibility in coordination between frameworks) leads to confusion and complexity. It can also result in inconsistencies and overlapping requirements which creates unnecessary burden and additional compliance costs and ultimately affects EU actors competitiveness.

ESMA must also be aware that the major burden lies in the excessive number of reportable fields and the stringent validation and control rules applied (e.g. pairing and matching rules which are more restrictive compared to other jurisdictions such as the JFSA or the HKMA). Currently, firms suffer from too much data to be reported and to analyse i.e. 203 fields for EMIR Refit, 155 fields for SFTR, 65 fields for MIFID II with an additional 48 fields if the ongoing MIFIR Review (RTS 22) is finalised. The continuous addition of new reporting fields obliges firms to continuously review their systems and processes which affects data quality. Focus should be put on the core objectives of each regime to request only essential data.

We believe that any inconsistent or duplicative requirement should be reviewed and removed for firms to report each data, necessary for supervision purposes, only once.

- All data related to instruments that are reported through MiFIR, EMIR, SFTR and REMIT must be assessed and all instruments already covered by one regulatory framework should be excluded from the others.
- A thorough assessment of the regulatory objectives of all reporting frameworks is needed. Based on this assessment, any reporting that is not strictly necessary for supervision should be eliminated. For instance, EMIR was initially designed to reduce systemic risk by increasing transparency in non-cleared OTC derivatives whereas ETDs are centrally cleared with strong risk-management mechanisms, making trade-by-trade reporting of limited supervisory value. ETD reporting generates inefficiencies due to massive redundant data volumes, high costs, and requirements ill-suited to standardised instruments that are furthermore already reported through another regulation.
- Any future new data addition should pass an “appropriateness test” considering the proportionality, necessity and impact on competitiveness.

We would like to highlight that the industry has already provided proposals to streamline reporting by eliminating duplication and limiting the data reported to what is strictly necessary for supervision. For example, during the EMIR 3.0 negotiations, several associations worked to simplify ESMA’s proposal on the reporting framework for the active account requirement. The aim was to avoid duplicating information already reported under Article 9 of EMIR, which would have imposed an unnecessary burden on firms without adding real supervisory value. This shows how important it is for authorities to work hand in hand with the industry to assess what data is overly burdensome to provide, what is needed for supervision purposes, what is redundant etc.

It’s obvious that different definitions and different names for the same concepts between different regulatory regimes, creates difficulties for implementation, interpretation and reconciliation purposes. In that sense, ESMA’s proposal to have a standardised data dictionary would be extremely useful. However, such project will only be relevant if it is elaborated by the industry. Some international organizations are currently working to establish harmonised definitions that the entire sector should use as a basis for creating a common dictionary. It could *in fine* be validated by authorities.

More globally, to resolve the above issues, we should also prioritise harmonisation in the use of identifiers (for instance we have LEI, UPI, ISIN, UTI, CFI), harmonisation of data standards and harmonisation of supervisory interpretation between NCAs (validation rules).

Without any doubt, having a single-sided reporting would help simplify reporting requirements. It would entail a reduction in the volumes eligible for reporting, erase some data quality issues i.e. no more pairing and matching reconciliation exercise. Today, dual-sided reporting leads to many errors and cost firms a lot in terms of human resources (for controls) and costs for the setting of IT tool or the use of third-party service providers etc. Indeed, firms have identified it as the largest cost-driver in the reporting framework. Thus, we are strongly for the deletion of dual-sided reporting in favor of one-sided reporting.
Please see our response to Q°3 and Q° 22 for further inputs on single-sided reporting and notably on who should oversee the reporting (DPE/Trading Venue/Counterparties).

One point that we further elaborate on in our following responses and that is crucial, is the removal of different reporting channels which creates costs and complexity for participants and gives a scattered view of firms' reportings for authorities. As we see it, ESMA should become the only collecting body, then allowing NCAs to connect and retrieve the necessary information to pursue their supervision mandate. It would centralise information, would allow NCAs to share the costs of establishing and updating a single data-retrieval system, rather than each NCA maintaining its own. It would also make the system more adaptable to changes, as only one system would need to be modified instead of 27. It would also reduce the number of processes firms must set as well as cost of IT implementation and maintenance. In terms of cost, as ESMA is a non-for-profit organization, it would certainly reduce the amount of fees currently paid to the various Trade Repositories by market participants. We believe that, should this solution be implemented, ESMA should only be mandated to receive the datas and allow NCAs to retrieve them, but shouldn't be responsible for their governance.

Because some proposals are harder to implement than others, we should first concentrate on simplifying the number of reported fields, move from dual-sided reporting to a single-sided one and harmonise diverging definitions and interpretations. Other proposals may be implemented in the longer term, the important being to find quick solutions to rapidly relieve reporting burden on firms.

Q2. Do stakeholders agree with the proposed principles and related description? Is there any other aspect/principle that should be considered?

We agree with ESMAs proposed principles. However, three key points aren't mentioned:

- In setting its new framework, ESMA should consider EU based market participants' competitiveness as an overarching principal. With that aim in mind, we must be careful not to create any new constraints that do not exist in the UK. Efforts should be made to try and align EU reporting requirements with the UK ones in order not to create fragmentation and strengthen the global competitiveness of EU financial industry.
- Only data strictly necessary for NCAs supervision purposes should be required.
- Timeliness should be further considered.

Q3. What are the key advantages of option 1a and how do these benefits address the issues in section 3?

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In a short/medium term perspective, option 1a seems to be the most suited option. As rightly mentioned by ESMA, it would reduce reporting burden for market participants due to removed overlapping reporting obligations and dual-sided reporting, therefore lowering the costs.

However, this option should be further clarified by ESMA. For instance, if all exchange traded derivatives transactions are exclusively covered by MiFIR, what will happen to the fields currently required through EMIR ? We would be in favour of a complete deletion of these fields as MiFIR fields already cover data necessary for supervision purposes.

Furthermore, it must be made clear that such an option should not impose new obligations on entities that are not currently subject to some of the reporting requirements. If MiFIR becomes the exclusive framework for ETDs, ESMA must ensure, in consistence with the current regime, that UCITS management companies and AIFMs remain outside the scope of MiFIR transaction reporting obligations.

We would welcome a single-sided reporting which would highly lower reporting burdens for firms by avoiding duplication, reducing the volume of reporting and would end the pairing and matching exercise with benefits on data quality. However, for this measure to be fully beneficial, and as it is the case for MiFIR post-trade transparency rules, buy-side firms need for SI/DPE/Trading Venue/Counterparties to handle the reporting. If such an approach is not retained, it might not have the intended effect as buy-side will have to maintain current tools and control framework. Noting that buy-side entities are usually relying on delegated reporting arrangements. This measure would also ensure EU firms' competitiveness by aligning with other major jurisdictions.

As previously mentioned in Q°1, setting a standard data dictionary is a good idea provided it is set by the industry. Some international organisations (e.g. ISDA) are currently working to establish harmonised definitions that the entire sector should use as a basis for creating a common dictionary. It could then be validated by authorities.

Option 1a will be a success if it manages to considerably reduce the number of reporting fields or overlapping ones. The last EMIR and MiFIR reviews have added a considerable number of fields which implies having dedicated teams on a continuous basis to continuously report, assess/control relevance of these reporting, correct potential errors etc.

To sum up, to provide concrete, rapid answers to reporting burden, option 1a has our preference in the short/medium term. We further elaborate on why we believe it should be the first step towards moving to a more ambitious reform (Option 2a).

Q4. What are the key limitations and potential risks of option 1a? For example, do you consider the adaptation of the emir template to cover the data points used for market abuse surveillance as meeting the general objective of reducing the reporting burden, and why?

This option should be further clarified by ESMA. For instance, if all exchange traded derivatives transactions are exclusively covered by MiFIR, what will happen to the fields currently required through EMIR ? We would be in favour of a complete deletion of these fields as MiFIR fields already cover data necessary for supervision purposes.

Furthermore, it must be made clear that such an option should not impose new obligations on entities that are not currently subject to some of the reporting requirements. If MiFIR becomes the exclusive framework for ETDs, ESMA must ensure, in consistence with the current regime, that UCITS management companies and AIFMs remain outside the scope of MiFIR transaction reporting obligations.

We are in favour of a single-sided reporting which would highly lower reporting burdens for firms, by reducing the volume of reporting, and would end the pairing and matching exercise with benefits on data quality. However, it is indicated that if pairing & matching/reconciliation is no longer in place, ESMA will probably introduce new data checks and audits. ESMA does not further detail how these would take place and what they would entail. Precisions on how ESMA intends to implement this is necessary as it might mean new controls to be implemented and therefore, additional burden on firms, while the overall aim is to simplify and reduce costs for market participants. In any case there is a misalignment concerning the pairing and matching process between the EU and other jurisdictions (e.g. JFSA, HKMA) that needs to be addressed as the current stricter EU pairing and matching process causes more weigh on the competitiveness of EU actors compared to non-EU actors. Furthermore, for this measure to be fully beneficial, buy-side firms need for SI/DPE/Trading Venue/Counterparties to handle the reporting. If it's not the case, buy-side firms will still have to maintain current tools and control framework, not having the intended benefit.

As mentioned above SFTR should be included in this option as the latter tackles the EMIR reporting which greatly similar to the SFTR reporting.

The setting of a standard data dictionary should be set by the industry. Some international organisations (e.g. ISDA) are currently working to establish harmonised definitions that the entire sector should use as a basis for creating a common dictionary. It could then be validated by authorities.

Q5. What components are missing or not adequately addressed in option 1a? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 1a?

See our response to Q°4.

Option 1a should further be clarified by ESMA such as the fate of all EMIR data fields when moving all ETDs to MiFIR. We would be in favour of a complete deletion of these fields as MiFIR fields already cover data necessary for supervision purposes.

Some important points regarding single-sided reporting aren't treated in the *CfE*. We insist on the fact that for that measure to have a real impact on the reduction burden on buy-side firms, the reporting must be handled by SI/DPE/Trading Venue/Counterparties. Otherwise, they will have to maintain current tools and control framework. Furthermore, we lack clarity on what to expect regarding new data checks and audits in case pearing & matching/reconciliation is no longer applied. Again, a bare minimum to reduce the reporting burden through the reduction of data quality costs would be to simplify the pairing and matching process, which would align EU with other jurisdictions (i.e. JFSA, HKMA).

SFTR should also be included in that option as the latter tackles the EMIR reporting which is greatly similar.

As previously mentioned in Q°1, setting a standard data dictionary is a good idea provided it is set by the industry. Some international organizations are currently working to establish harmonised definitions that the entire sector should use as a basis for creating a common dictionary. It could then be validated by authorities.

The LEI should embed more static data, be enriched (ex: nature of the counterparty, corporate sector). These data should therefore no longer be reported separately.

We also believe in transitioning to a more outcome-oriented supervisory approach. Instead of relying on rigid, day-to-day internal controls, oversight should focus on key performance indicators such as unmatched trades beyond T+5, rejection rates at TRs/ARMs, resubmission volumes, and the efficiency of counterparty matching. It is also important to improve regulatory communication. ESMA and NCAs could for instance regularly publish anonymized error trends, common issues and best practices observed across reporting entities and by holding joint workshops with key market participants.
Here below some specific field level recommendations or comments under EMIR:

- Collateral portfolio code: rarely populated accurately, firm sometimes use dummy codes;
- Valuation fields: more harmonisation towards one standard approach, as there are inconsistent methodologies;
- Execution timestamp vs. clearing timestamp: minor difference often misreported. It is hard for system providers to implement updates linked to that;
- Beneficiary ID: often same as reporting counterparty and low usage in bilateral trades;
- Baskets code field: not publicly standardised (no centralised registry or agreed syntax) and unclear composition rules (no regulatory requirement to submit the actual components of the basket in a machine-readable format). It should be considered replacing this with a richer underlying portfolio field that includes “component count”, “exposure distribution”, “sector/ country mix”.

Under MiFIR, categorize some fields as lower-value fields:

- Trading capacity: suggestion to be pre-filled or automated
- Country of branch for client : make it optional unless jurisdictionally material.

Q6. What are the key advantages of option 1b and how do these benefits address the issues in section 3?

Option 1b seems less interesting to pursue than option 1a. It appears to be overly complex to be achieved as well as to be done in a satisfactory manner. The delineation by event would be extremely complex to manage/monitor. Indeed, each system are already set up by products.

Q7. What are the key limitations and potential risks of option 1b?

See our response to Q°6.

This option would suppose a total revision and new implementation of processes not in line with the current objective of ESMA to reduce reporting burden.

Q8. What components are missing or not adequately addressed in option 1b? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 1b?

See our responses to Q°6 and Q°7.

Q9. What are the key advantages of option 2a and how do these benefits address the issues in section 3?

As it is presented, option 2a seems to be the most ambitious and therefore, attractive option. However, an ambitious revision is not necessarily suited at this stage. This option is certainly the best long-term solution (but is not realistic in a short term as ESMA indicates, it would take over five to seven years to implement).

Options 1a is a more realistic and cost-effective option in a short/medium term. That is why we believe option 1a (1st step) needs to be a bridge towards getting to option 2a (2nd step).

Indeed, options 2a is also not well suited for every firm. Some of them do not currently report under MiFIR. For them, option 2a is therefore not totally relevant and less attractive as they would not benefit of that single reporting template where they might however support some implementing burdens/costs.

It is crucial to have a direct reporting channel to ESMA to be able to implement option 2a as its most.

Therefore, we strongly support that option 1a would be prioritised in the short/medium term, while option 2a would be pursued as a longer-term goal.

Q10. What are the key limitations and potential risks of option 2a?

See our response to Q°9.

Option 2a should be the second step of a “two-phased approach” where the implementation of option 1a should be prioritised in the short/medium term. The option 2a is not realistic in a short/medium term horizon, is very complex to set and is not well suited for every market participant.

Q11. What components are missing or not adequately addressed in option 2a? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 2a?

See our response to Q°9 and Q°16.

As explained in our following responses, we believe that Option 2a should be the ultimate goal within a phased approach but do not constitute a realistic nor optimal option in the short/medium term. The process should start with implementing Option 1a, including the proposed changes and additions mentioned above. When transitioning to a single reporting framework, it is important to avoid creating a system that can’t rapidly change in response to new development. Instead, Level 1 should remain high-level and focused on general principles, supported by more detailed guidance at Level 2, and, where necessary, further specifics/interpretations at Level 3. However, any modifications or additions of new data should be guided by a cost–benefit analysis, considering proportionality, necessity, and their potential impact on competitiveness.

Q12. What are the key advantages of option 2b and how do these benefits address the issues in section 3? What regimes should be included in such an option beyond EMIR, MiFIR and SFTR?

Option 2b would introduce significant additional complexity without delivering clear added value beyond what could be achieved under option 2a.

Q13. What are the key limitations and potential risks of option 2b?

See our response to Q°12.

Q14. What components are missing or not adequately addressed in option 2b? Why are these elements important, and how might their inclusion change the evaluation or implementation of option 2b?

See our response to Q°12.

Q15. Which of the two main options (1. "removal of duplication in current frameworks" or 2. "report once") and related sub-options identified do you believe should be prioritised, and why?

As explained, option 2 is the most ambitious one but is not realistic in the short term. Option 2a is interesting as an ultimate goal but the first step/priority towards achieving a single reporting regime must be to remove current duplicative reporting across different frameworks, remove data requests that do not serve a clear supervisory purpose (static data already embedded in identifiers for instance, should not be required separately), move towards a single-sided reporting and towards a single transmission channel (ESMA).

Our efforts must be put towards harmonisation in the use of identifiers (for instance we have LEI, UPI, ISIN, UTI, CFI). We see some inconsistencies on how instruments and counterparties are identified in the various regimes. Also, harmonisation of definitions and data standards and harmonisation of supervisory interpretation between NCAs (validation rules) is key.

Considering the current transaction reporting landscape, all these mentioned priorities are already very ambitious and option 1a therefore seems to be the option which by itself achieves the most on the short term. However, option 2a should remain our ultimate goal.

Q16. Are there any additional options that should be considered on top of option 1 and 2? For example, do you identify other potential intermediate solutions, combinations of elements from the identified options, or phased approaches? If so, what are their main characteristics, the reasons for considering them, and the key advantages they would bring?

As indicated in the previous question, option 2a is the most ambitious and should be our ultimate goal. However, as is not realistic in the short term, it must be the final step of a phased approach. This phased approach could start with the implementation of option 1a, which is already ambitious, and would respond to several current challenges (provided our previous remarks on that option are taken into account). Indeed, it seems completely unrealistic to implement option 2a without first going through :

- the removal of current duplicative reporting;
- the removal of data requests that do not serve a clear supervisory purpose;
- the move towards a single-sided reporting;
- the move towards a single transmission channel (ESMA);
- harmonisation in the use of identifiers;
- harmonisation of definitions and data standards; and
- harmonisation of supervisory interpretation between NCAs.

We reiterate that option 2a is not interesting for every market participant and notably for those who do not respond to multiple reporting frameworks. Therefore, Option 1a which would reduce burden on the whole ecosystem, while helping move towards a more ambitious solution, is the ideal way to go.

Q17. Should the reporting channels, and flows be modified to ensure consistent reporting, and if so, how? Under which option/s do you consider these changes should be implemented?

The objective of ESMA's proposals in its call for evidence is to strengthen the competitiveness of EU financial entities by simplifying and reducing undue reporting burdens. In this context, establishing a centralized ESMA data hub to replace multiple trade repositories with a single/unique EU platform for data transmission would not only facilitate firms' reporting obligations but also reduce reliance on non-EU infrastructures, significantly lowering costs and reinforcing the EU's regulatory autonomy and efficiency.

Indeed, by centralising the transmission of data through one unified model, the system would eliminate the complexity and important costs currently associated with divergent IT infrastructures and varying requirements imposed by different NCAs/Trade Repositories.

Such a model would ensure consistent and harmonised data flows, enhancing transparency and regulatory oversight across jurisdictions. It would effectively resolve the longstanding issues linked to fragmented reporting channels, where firms must navigate overlapping and sometimes conflicting requirements from multiple authorities.

As ESMA is a non-for-profit organization, it would certainly reduce the amount of fees currently paid to the various Trade Repositories by market participants.

However, implementing this solution would require the development of a robust and scalable tool by ESMA. This tool must be capable of securely collecting, storing, and managing large volumes of data submitted by market participants.

Equally important, the system must allow NCAs to connect seamlessly to the platform, enabling them to retrieve the relevant information they require without delay.

We insist that ESMA should only be a data hub and not manage the governance of these data.

If we end-up having a single-sided reporting and a single reporting channel, we believe that, as for MiFIR post-trade transparency rules, SI/DPE/Trading Venue/Counterparties should handle reporting directly to ESMA.

Q18. In this regard, and based on the current order book requirements for trading venues and the availability of information, what are the advantages and disadvantages of transferring the reporting of on-venue transactions under mifir and emir to trading venues?

See our response to Q° 1, 3, 5 and 17.

We would welcome a single-sided reporting but for this measure to be fully beneficial, and as it is the case for MiFIR post-trade transparency rules, buy-side firms need for SI/DPE/Trading Venue/Counterparties to handle that reporting. If such an approach is not retained, it might not have the intended effect as buy-side will have to maintain current tools and control framework. Assigning this obligation to entities with direct access to execution details and infrastructure makes much more sense, reduces reporting errors and is completely coherent with the simplification and burden reduction objective.

Q19. Additionally, what are your views on enhancing ESMA role as data hub by developing a framework where entities would report consistent and harmonised data directly to ESMA? Should this option consider direct reporting to ESMA coupled with EU and national authorities' access to the centrally held data, eliminating multiple submissions?

We strongly support the proposal of enhancing ESMA's role as data hub by developing a framework where entities would report harmonized data directly to ESMA. In addition, and as already said above, we wish to eliminate multiple submissions. If the reporting was made to ESMA market data would then be made available to NCAs.

See our response to Q°17 i.e.:

We believe that establishing a unique, centralized EU data hub to replace multiple trade repositories would has many beneficial aspects:

- Facilitate firms' reporting obligations;
- Resolve the longstanding issues linked to fragmented reporting channels, where firms must navigate overlapping and sometimes conflicting requirements from multiple authorities (divergent IT infrastructures and varying rules from NCAs);
- Reduce reliance on non-EU for-profit infrastructures (i.e. Trade Repositories), significantly lowering reporting costs and reinforcing the EU's regulatory autonomy and efficiency, in line with the objective of ESMA to strengthen the competitiveness of EU financial entities by simplifying and reducing undue reporting burdens;

It requires the development of a robust and scalable tool by ESMA. This tool must be capable of securely collecting, storing, and managing large volumes of data submitted by market participants.

Equally important, the system must allow NCAs to connect seamlessly to the platform, enabling them to retrieve the relevant information they require without delay.

We insist that ESMA should only be a data hub and not manage the governance of these data.

We are in favour of further clarification regarding how it would be implemented, the cost of implementation, the reporting implications, the impact on the access to data and on their governance etc.

Q20. In the case of centralisation of reporting, please expand on the advantages and disadvantages as well as the implementation challenges and opportunities? Under this scenario, what additional elements should be considered (i.e. Operational aspect, technical implementation, etc.)

We think that centralization of reporting by ESMA would allow for a single reporting by market participants to ESMA and therefore reduce the costs for EU based market participants.

As already said above, as ESMA is a non-for-profit organization (in particular as compared to Trade Repositories), we would expect that the cost of reporting would be significantly reduced for EU based market participants as compared to the current amounts of fees paid by EU based market participants to Trade Repositories.In addition and as previously explained in Q°17 and 19, such a centralised reporting approach has some considerable advantages:

- eliminates the complexity currently associated with divergent IT infrastructures;
- eliminates the complexity associated with varying requirements imposed by different NCAs (resolves overlapping and conflicting requirements from multiple authorities);
- leads to significant cost reductions for reporting entities;
- enhances transparency and regulatory oversight across jurisdictions;
- would allow NCAs to share the costs of establishing and updating a single data-retrieval system, rather than each NCA maintaining its own. It would also make the system more adaptable to changes, as only one system would need to be modified instead of 27;
- reduces costs. First IT costs and fees paid by market participants.

It also brings some challenges that will have to be addressed:

- requires the development of a robust and scalable tool by ESMA capable of securely collecting, storing, and managing large volumes of data submitted by market participants;
- the tool/system must allow NCAs to connect to the platform and to retrieve the relevant information without delay;
- NCAs already operate their own systems, implementation should be carried out in a manner that minimizes additional costs so as not to impose an undue burden on them;
- the harmonised format that will be required by market participants should be accessible to all.

Q21. Do you consider that other technologies (e.g. DLT and Smart Contracts) should be considered as a way to simplify the reporting process?

N/A

Q22. Where do you think the cost associated with dual sided reporting is generated? What would be the cost impact of removing dual-sided reporting (e.g. Substituting reconciliation requirements with other measures such as audits against internal record systems as required in the U.S. or increase interaction among counterparties and NCAs)? Do you consider that dual sided reporting may reduce the ability of reporting entities to fully control the data submitted to authorities? Do you consider that the reporting should be strictly from one side?

First and foremost, any dual-sided reporting is structurally more expensive as compared to a single-sided one.

The cost associated with dual-sided reporting arises primarily from the human resources required to manage it. Dedicated teams must be in place to handle reconciliation, investigate mismatches, and correct reporting errors. By nature, dual-sided reporting is more resource-intensive and expensive than single-sided reporting. Transitioning to a single-sided reporting model would therefore generate substantial cost savings for market participants. In addition to reducing the volume of data to be reported, it would also significantly lessen the number of data quality issues to analyse, since the concepts of pairing and matching would become obsolete. We currently see a lot of inconsistencies due to mismatches because of some non-essential fields being inconsistently filled (eg: daily mark to market valuations which may not match because of firms using different models and pricing sources, the representation of complex trades such as FX trades that can be reported differently between different entities). Based on members feedbacks, around 50–70% of monthly effort is devoted to reconciliation tasks (pairing/matching investigations and TR reconciliation), with a further 10–20% spent on delegated reporting oversight and about 10–15% on UTI exchange/allocation. Other activities account for <10%.

While data quality has been a key argument for dual-sided reporting, its benefits are often overestimated. Many buy-side firms rely on delegated reporting by their sell-side counterparties, meaning both sides of a trade are reported from the same source data and are largely identical. This duplication frequently causes data breaks rather than reducing them, as it requires reconciling two submissions for the same trade. Moving to single-sided reporting would simplify processes and likely improve data quality by removing a major source of errors.

However, the benefits of a single-sided approach depend on the rules governing it, on which counterparty is responsible for reporting and of oversight requirements if any. From the buy-side perspective, the most advantageous solution would be for reporting obligations to fall on SI/DPE/TV, similarly to what is done for MiFIR post-trade transparency obligations. On the contrary, buy-side will not see real costs reduction as they would still need to maintain systems and control frameworks in place.

Furthermore, we need to obtain more clarity on what the new data quality requirements would cover (audits). Finally, and as mentioned above on the data quality topic and to align the EU with other jurisdictions (i.e. JFSA, HKMA), the simplification of the pairing and matching is necessary to reduce the reporting burden and the costs associated to data quality that are weighing on EU actors.

Q23. Would you consider the modification of reporting frequency useful under the general objective of reducing the reporting burden, and why? What would be the specific proposals in this regard?

First, it appears unrealistic to impose a uniform reporting frequency across all product types. That being said, it would require a huge effort to review each current reporting frequencies for each type of product.

Anyway, the core issue is not necessarily the frequency itself, as many reporting systems are already designed to handle daily submissions. The real burden lies in the excessive number of reportable fields and the stringent validation and control rules applied. Therefore, any review aimed at alleviating the reporting burden should focus primarily on simplifying the scope and complexity of the data requirements, rather than adjusting the frequency. Anyhow, the reporting frequency should be calibrated in proportion of the complexity of the data as more complex data will require more time for validation before being submitted and therefore should have a lower reporting frequency. Otherwise, if data are reported too frequently as compared to their complexity, we increase the systemic risk at EU market level. This stems from the difficulties related to the lack of time given to EU markets participants to check and validate the quality of data before they are reported to authorities and hence increasing the risk of errors in the monitoring of systemic risk.

However, under EMIR and MiFIR, the frequencies for trade reconciliation checks/controls should be reviewed.

For example, under EMIR, we should :

- move to monthly spot-checks on matched UTIs or reports.
- Reviews on daily basis should only be done if there is a spike in rejections or disputes. Same goes for valuation accuracy checks which should be made on monthly basis and on a sample of bilateral trades.
- Focus should shift on material valuation changes.

- For collateral reporting, focus should be on samples based on large exposures and on monthly and quarterly basis only.

Under MiFIR, we should :
- move to weekly checks on UTI (unless trading OTC derivatives directly).
- For rejected submissions by ARM we should have monthly log review instead of ad-hoc as well as quarterly thematic analysis.
- Price & quantity checks should be made on exceptional basis (high-value, outlier sizes).
- Venue code mapping (MIC) should be checked semi-annually or only when the trading relationships change.
- And finally, field-level completeness should be made monthly and on a representative sample.

Q24. Proportionality measures: how do you consider proportionality can be taken into account in the context of burden reduction in regulatory reporting? What specific measures would you propose and how would you quantify their impact?

It is important that ESMA does not differentiate between entities based on their size when implementing option 1a. This option, provided that our additional considerations are followed, offers a simplified and consistent approach that can benefit all entities, regardless of their size. A uniform regime ensures fairness and reduces unnecessary administrative burdens. Introducing different regimes for larger and smaller firms could create significant operational challenges, especially for smaller firms that delegate their reporting to third parties. In such cases, those third parties would need to manage multiple reporting frameworks simultaneously, increasing complexity, cost, and the risk of errors. A single, harmonised approach under option 1a would therefore promote efficiency, clarity, and equal treatment across the industry.

Furthermore, our approach where we begin with the implementation of option 1a and gradually transition to option 2a, represents a sufficiently proportionate solution as such phased approach allows stakeholders to adapt over time while ensuring that the initial benefits of simplification are realised.

Q25. Question for reporting entities under EMIR: what is the one-off cost of implementing EMIR requirements to date? This cost should include all cost lines, such as familiarisation with obligations, staff recruitment, training, legal advice, consultancy fees, project management and investment/updating in it. Do you identify any other relevant one-off cost line?

Cost can significantly vary depending on the firm' size, its operating model (delegation or not), and reliance on external providers. Although we didn't gather clear costs figures, here after the main cost drivers :

- The recruitment of external consultants to work on control framework, data quality reviews;
- Third party tools for reporting and control framework/oversight;
- IT tool development;
- The number of submissions (TR costs);
- Supervisory outreach;
- The setting of delegated arrangements.

Noting that these "one-off" costs have actually accumulated because of successive waves of implementation/regulatory changes etc.

The main cost drivers being the ones for pairing/matching, reconciliations and oversights. These costs are even more disproportionate for smaller asset managers who have low transactions volumes but still need to maintain all the infrastructures and oversight functions.

Q26. Question for reporting entities under EMIR: what is your estimated average cost per transaction (on-going cost) to comply with the reporting requirements under EMIR? This cost should include not only the fees associated with reporting through trade repositories (which usually includes data collection and information storage) but also the total cost, including any other cost lines, such as, IT maintenance and support, training, data processing and audit fees. Do you identify any other relevant ongoing cost line?

See response to Q°25.

Q27. Question for reporting entities under MiFIR: what is the one-off cost of implementing mifir requirements to date? This cost should include all cost lines, such as familiarisation with obligations, staff recruitment, training, legal advice, consultancy fees, project management and investment/updating in it. Do you identify any other relevant one-off cost line?

Not all AFG members are subject to the MiFIR article 26 transaction reporting as UCITS and AIFMs are exempted. For the ones who do, we see similar findings as for EMIR reporting i.e. IT tools and developments, staff members, recruitment of external consultants etc.

Q28. Question for reporting entities under MiFIR: what is your estimated average cost per transaction (on-going cost) to comply with the reporting requirements under MiFIR? This cost should include not only the fees associated with reporting through Approved Reported Mechanisms but also the total cost, including any other cost lines, such as, IT maintenance and support, training, data processing and audit fees. Do you identify any other relevant ongoing cost line?

See response to Q°27.

Q29. Question for reporting entities under EMIR or MiFIR: Are there other cost-factors that we should consider when estimating the cost saving over a long term horizon?

The main cost saving for buy-side firm lies in the switch from a dual-sided reporting to a single sided-reporting for the reasons already outlined in the previous questions. At present, pairing & matching, reconciliation and oversight represent the biggest source of cots (around 50-70% of monthly efforts).

Q30. What are the anticipated investments and transition costs associated with implementing option 1a, 1b, 2a and 2b (e.g. Decommissioning of legacy systems, adapting systems to new changes and future evolving requirements, etc.)? Please provide a detailed breakdown of these costs, including any one-off and ongoing expenses. What is the estimated average cost saving per transaction?

It is difficult to anticipate the cost each proposed solution will entail. However, it is certain that both options 2 and option 1b would be far more expensive than option 1a as it would mean a total switch of paradigm. Moreover, some elements need to be further detailed. We don’t have a clear view of what it implies in terms of reporting eligibility, new controls to put in place and consistency with the UK scope.

AFG

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