

# SIX Trade Repository AG

## Reporting Workflow

May 2017





# SIX Trade Repository AG

## Reporting Workflow

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## Reporting Workflow

### 1.0 Introduction

#### 1.1 Overview

The purpose of this document is to explain the workflow for trade reporting as foreseen by the SIX TR based on its reporting field specifications. The workflow captures transaction, position and valuation reporting.

Abbreviation	Meaning
CFD	Contract for Difference
COB	Close of Business
ETD	Exchange Traded Derivative
FINMA	Swiss Financial Market Supervisory Authority
FinfraG	Swiss Financial Market Infrastructure Act (FinfraG)
FinfraV	Ordinance to FinfraG
Reporting System	The Reporting System is the client-facing part of the SIX TR system. It accepts data from clients, validates it, and passes it on to the Trade Repository database.
SIX TR	The SIX company that will operate the trade repository
Trade Repository	The Trade Repository is the system that stores data and feeds back information to the Reporting System for consumption by clients.
TR	Trade Repository

#### 1.2 Version table

Document Version	Release Date	Information
V2.0 (draft)	19 August 2015	Second draft release based on additional regulatory requirements as defined in FinfraV, chapter 4 newly added
V2.1 (draft)	2 October 2015	Most important changes: Position updates need to be reported with Action Type 'M' instead of 'N', a UTI used on an error report cannot be re-used.
V2.1.1 (draft)	21 October 2015	Changed state transition diagram in chapter 3.1 to show that the 'X' Action Type results in a "compressed" state. Other minor corrections applied.
V0.5	15 December 2015	Added further clarifications to the use of the various Action Types for transaction and position reporting.
V0.6	15 July 2016	Split of Workflow for Transaction and Position. Action Type 'D' added to positions workflow

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### 2.0 Summary

FinfraG reporting requires derivative transactions to be reported to an approved TR. The reporting obligation is single sided which means only one party to a trade is obliged to report. There is a tiered approach to reporting under the Swiss regime as defined in Article 104 FinfraG.

Reporting entities will be required to report new trades, modifications, terminations and valuation\* data for each transaction or position in the market. Clients are only required to submit the end of day status of the trade. For a cleared trade this is the cleared transaction / position and not the bi-lateral leg. If a trade did not clear on trade date then both the bi-lateral and cleared leg should be reported.

\*Daily valuation reports are only required if the reporting firm is subject to the valuation obligation as per Article 109 FinfraG.

There are a number of derivative structures available in the market. The reporting specifications are designed for two legged trades. If a transaction or position has multiple legs then the client may elect to complete multiple reports and link them together using the 'Transaction Linking Number' or only send one report for the whole product structure. FX swaps are an instance of multiple legged trades where both legs can be reported as different transactions and linked using the reference number mentioned above.

### 3.0 Workflow overview

After a qualifying transaction / position has taken place in the market, the reporting entity is required to ensure that the transaction is reported on T+1 to an approved TR. The transaction / position / lifecycle event will be identified using the action types provided below.

#### 3.1 Action types

A trade can only be created in the SIX TR system through an Action Type of 'N' (new) or if the transaction is known to be netted into a position at the end of a day through an Action Type of 'X' (position component). A newly-created trade is considered open. Once the trade is created in the SIX TR system, it can be amended in a variety of ways without moving it from the open state.

##### 3.1.1 Open state

- (N) New: Report a derivative trade or a position for the first time with a new "Unique Trade Identifier" (UTI).
- (M) Modify: Correct the details of the report. Note that this is not used to report a change to the terms of the trade due to a lifecycle event, only a correction to mistakes made in the report. This Action Type is also used for daily position updates (see chapter 3.3).
- (L) Lifecycle: The use of 'L' allows clients to report a non-cancelling change to the trade for instance a partial termination or a partial novation or an ETD option expiry.

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- (V) Valuation: Report up-to-date valuations related to the trade. The fields required to report valuations are a subset of the field reporting specification.
- (D) UTI Update: Update a trade which had been previously reported with a 'dummy' UTI once a permanent UTI is available.

#### 3.1.2 Closed state

Other action types result in the trade moving to a closed state (see below):

- (X) Position component: Report a new ETD or CFD transaction (Level = 'T') which will be rolled into an end of day position report.
- (C) Cancel: Terminate the trade ahead of maturity date. It is possible to resubmit a cancel, compress or error report for a trade in a cancelled state.
- (Z) Compression: Close the trade as a result of a compression exercise. You can resubmit a compression report or error a trade in the compressed state.
- (E) Error: Indicates that the trade has been reported or closed in error. From this state, a trade cannot be modified. The UTI cannot be re-used.

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*📖 If a reporting firm wrongly uses one of these action types ('C', 'X', 'Z' or 'E') on a UTI, it will not be possible to move that trade back to the open state. This implies that the UTI cannot be further re-used with action types other than those allowed for trades in the cancelled, compressed or error state (see state transition diagram in chapter 3.1.3). The reporting firm should thus be careful when moving trades into a closed state.*

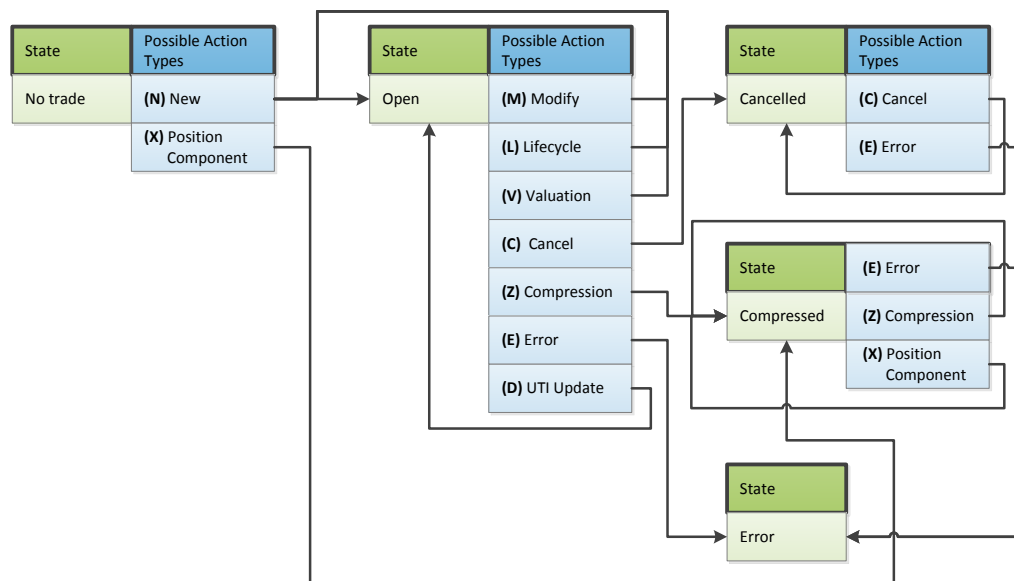
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### Reporting Workflow

#### 3.2 Transaction workflow

##### 3.2.1 State transition diagram



##### 3.2.2 Explanation

Most OTC derivatives will be reported as transactions only (even when compressed, these are often compressed into OTC transactions due to the highly bespoke nature of the derivative). There are also an array of transactions that are netted into a position at close of business, these should be reported with an opening Action Type of 'X' (see chapter 3.3 for further details on subsequent position workflows).

All reports at this level should be reported with field "Level" marked as 'T' even if the report shows a lifecycle event or the transaction will be moved into a position at the close of business.

##### 3.2.3 Basic workflow

First report:

- 'N' – Once a trade is executed in its first state it should be reported as action type 'N' unless the transaction will be netted into a position at COB (where it should be reported as 'X'). There should be a record of 'N' (or 'X') before any further records or the SIX TR system will reject the submission.
- 'X' – A transaction that will be netted into a position at COB should be reported as Action Type 'X' and not Action Type 'N'. Examples of this are CFDs and ETDs.



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### Reporting Workflow

Future reports (only applicable to 'N'):

- 'M' – The trade may then be modified prior to confirmation if the details were booked incorrectly (e.g. if there was a field reported incorrectly such as a typo).
- 'D' – At the point of confirmation it is possible that the UTI is updated to a bilaterally agreed UTI (potentially generated from the confirmation platform). The full transactional details will need to be reported with the new UTI in the Unique Identifier field with Action Type 'D' and Action Type Details with the 'Old UTI that is to be changed'. This removes the old reported transaction with the UTI and replaces it with the new transaction with the new UTI.
- 'V' – Valuation can either be sent on the 'N' transactional report or sent in an additional report with a subset of data required. The 'V' record links the valuation to the transaction. Valuation can be submitted with the 'N' report on the first day and then via 'V' reports or only via 'V' reports if the data is not known when the trade is reported.
- 'L' – Lifecycle should be used for lifecycle events an example of this is a partial termination where the notional is reduced but not fully closed out.
- 'C' – A cancellation is a full unwind or traded full termination of a transaction. **Cancellations are based on actual events (e.g. a knock-out termination event) and are not caused by errors. A natural maturity of a transaction (as specified in the Maturity Date field) is not required to be reported as a cancellation.** The SIX TR system recognises trades that mature naturally. A cancellation would require the trade to be closed on or before the reported maturity date.
- 'Z' – There is an obligation under FinfraG to compress transactions. Clients gather portfolios of transactions with either the same economic data or equal and opposite data, total the details together, removing a number of single transactions and compressing them into one new transaction or netting them out so that there is no residual notional. This compression is considered a compression into a transaction as the details are highly bespoke. The SIX TR system does not itself process the compression action in the market but accepts closure reports that are submitted after a compression event.
- 'E' – Error is a code for clients to use if the transaction should never have existed. This is to be used if for instance a duplicate record has been submitted. Error removes the details from the TR.



Transactions must be reported when there is a change to the terms through one of the messages identified above. If there is no change then the report does not need to be duplicated.

The Reporting System is validating each field (including blank fields) of an input file and passes it through to the Trade Repository. To assure that regulatory reporting requirements are fulfilled, all reports – new, corrected or amended – should always be sent/uploaded with the complete set of field information as required according to the SIX reporting field specification.



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## Reporting Workflow

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-  *The full data set as specified in the reporting field specification must be provided. Incomplete reports will be rejected.*
  -  *As with any lifecycle event, if there is a change to an already-reported trade or position, that change needs to be reported in some way. The SIX TR will always include the latest version of any trade or position in all applicable aggregations and regulator extracts. If the last version reported by the client does not reflect the real-world state of the trade or position then the aggregations and regulator extracts will be incorrect.*
- 

### 3.2.4 Examples

A reporting firm enters a bilateral option contract with a notional value of 1 million. One month later the firm decides to increase the notional by another million (total holding of 2 millions).

In case of an OTC derivative, reporting firms usually do not compress transactions into positions. **The reporting will therefore remain on a transactional level only:**

Reporting on T:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'N' and a notional of 1m

Reporting on T + 1 month:

- 1 transaction (Level = T) with UTI = '789' and Action Type = 'N' and a notional of 1m

#### **OR (if the reporting firms applies a cancel / rebook)**

Reporting on T:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'N' and a notional of 1m

Reporting on T + 1 month:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'C' and a notional of 1m
- 1 transaction (Level = T) with UTI = '789' and Action Type = 'N' and a notional of 2m

#### **OR (if the reporting firms treats the increase as a lifecycle event)**

Reporting on T:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'N' and a notional of 1m

Reporting on T + 1 month:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'L' and a notional of 2m

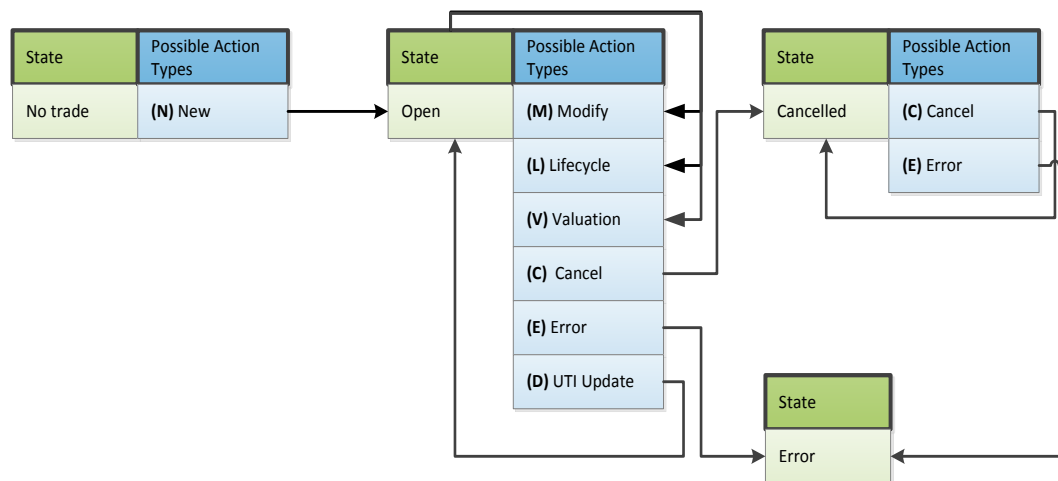


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### Reporting Workflow

#### 3.3 Position workflow

##### 3.3.1 State transition diagram



##### 3.3.2 Explanation

Most ETD derivatives will be reported as transactions and then netted daily into positions. There are also a number of OTC products including CFDs that are transacted daily but netted into a position. The first report submitted to the SIX TR should be a transactional report with Action Type 'X' and a report level of 'T'. Once this has been reported, the initial position will need to be reported with Action Type 'N' and report level of 'P' with a new unique trade ID. Going forward valuation updates, quantity updates or lifecycle events will be at the 'P' positional level.

##### 3.3.3 Basic workflow

First report:

- 'N' – Initially a new position is sent with an Action Type 'N', Level 'P' and a new unique trade ID.

Future reports (all on Level 'P'):


- 'V' – Valuations can either be sent on the 'N' or 'M' position report or sent in an additional report with a subset of data required. The 'V' record links the valuation to the position. The valuation would then not be sent at the transactional level.
- 'L' – Lifecycle should be used for lifecycle events. An example of this is an option exercise where the position is partially reduced (not a result of new transactional activity). A complete early termination of an option would be reported with Action Type 'C'.

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### Reporting Workflow

- 'C' – A cancellation is a full unwind or traded full termination. **Cancellations are based on actual events and are not caused by errors. A natural maturity of a position (as specified in the Maturity Date field) is not required to be reported as a cancellation.** The SIX TR system recognises positions that mature naturally. A cancellation would require the position to be closed on or before the reported maturity date.

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 Please refer to “[SIX TR reporting workflow etd position management.xlsx](#)” for explanations about how to manage an open position once it reaches a quantity of

- 'E' – Error is a code for clients to use if the position should never have existed. This is to be used if for instance a duplicate record has been submitted. Error removes the details from the TR.
- 'M' – The updated position will be reported as a modified position every time that there is a change to the quantity e.g.
- 'D' – At the point of confirmation it is possible that the UTI is updated to a bilaterally agreed UTI (potentially generated from the confirmation platform). The position data need to be reported with the new UTI in the Unique Identifier field with Action Type 'D' and Action Type Details with the 'Old UTI that has to be changed'. This removes the old reported position with the UTI and replaces it with the new position with the new UTI.

#### Reporting on Day 1 (3 buy transactions of 2 lots each):

- 1 transaction (Level = 'T') with UTI = '123' and Action Type = 'X' and a quantity of 2 (Execution Timestamp = Day 1)
- 1 transaction (Level = 'T') with UTI = '234' and Action Type = 'X' and a quantity of 2 (Execution Timestamp = Day 1)
- 1 transaction (Level = 'T') with UTI = '345' and Action Type = 'X' and a quantity of 2 (Execution Timestamp = Day 1)
- Followed by:
- 1 Position (Level = 'P') with UTI = '456' and **Action Type = 'N'** and a quantity of 6 (Execution Timestamp = Day 1)

#### Reporting on Day 2 (no trade):

- There is no trading activity so there is no requirement to report anything (apart from a daily valuation if the reporting firm is required to do so).

#### Reporting on Day 3 (2 additional buy transactions of 1 lot each):

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- 1 transaction (Level = 'T') with UTI = '567' and Action Type = 'X' and a quantity of 1 (Execution Timestamp = Day 3)
- 1 transaction (Level = 'T') with UTI = '678' and Action Type = 'X' and a quantity of 1 (Execution Timestamp = Day 3)

Followed by:

- 1 Position (Level = 'P') with UTI = '456' and **Action Type = 'M'** and a quantity of 8 (Execution Timestamp = Day 3)

**Reporting on Day 4** (1 sell transaction of 8 lots which brings the position quantity to zero):

- 1 transaction (Level = T) with UTI = '567' and Action Type = 'X' and a quantity of 8 (Execution Timestamp = Day 4)

Followed by:

- 1 Position (Level = P) with UTI = '456' and **Action Type = 'M'** and a quantity of 0 **OR Action Type = 'C'** and a quantity of 0 to close out the position; (Execution Timestamp = Day 4)

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*Please refer to "SIX TR reporting workflow etd position management.xlsx" for explanations about how to manage an open position once it reaches a quantity of*

**Reporting firms may send a daily position update even if the position has not changed but this is not a requirement.** A change to the terms of the position that is not the result of transactional activity will need to be reported as a lifecycle, modify or error report.

If there is an incorrect value on the position that needs to be amended then this should also be undertaken with an Action Type of 'M'.

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*The SIX TR will always include the latest version of any trade or position in all applicable aggregations and regulator extracts. If the last version reported by the client does not reflect the real-world state of the trade or position then the aggregations and regulator extracts will be incorrect.*

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### 3.4 Examples

A reporting firm enters a put option contract with a notional value of 1 million. One month later the firm decides to increase the notional by another million (total holding of 2 millions).

Two basic options can be used for reporting (though option 2 is preferred):

Option 1 (reporting with the 'N' and 'Z' Action Types):



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Reporting on T:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'N' and a notional of 1m
- 1 transaction (Level = T) with UTI = '345' and Action Type = 'Z' and a notional of 1m
- 1 position (Level = P) with UTI = '123' and Action Type = 'N' and a notional of 1m

Reporting on T + 1 month:

- 1 transaction (Level = T) with UTI = '789' and Action Type = 'N' and a notional of 1m
- 1 transaction (Level = T) with UTI = '789' and Action Type = 'Z' and a notional of 1m
- 1 position (Level = P) with UTI = '123' and Action Type = 'M' and a notional of 2m

Option 2 (reporting with the 'X' Action Type):

Reporting on T:

- 1 transaction (Level = T) with UTI = '345' and Action Type = 'X' and a notional of 1m
- 1 position (Level = P) with UTI = '123' and Action Type = 'N' and a notional of 1m

Reporting on T + 1 month:

- 1 transaction (Level = T) with UTI = '789' and Action Type = 'X' and a notional of 1m
- 1 position (Level = P) with UTI = '123' and Action Type = 'M' and a notional of 2m

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*📖 A position reporting offers the advantage to report daily valuations on the position level whereas under a transaction-only reporting, valuations would need to be submitted for each individual transaction. Option 2 is recommended for all ETDs / CFDs*

#### 4.0 Reportable trades

##### 4.1 New OTC cleared trade

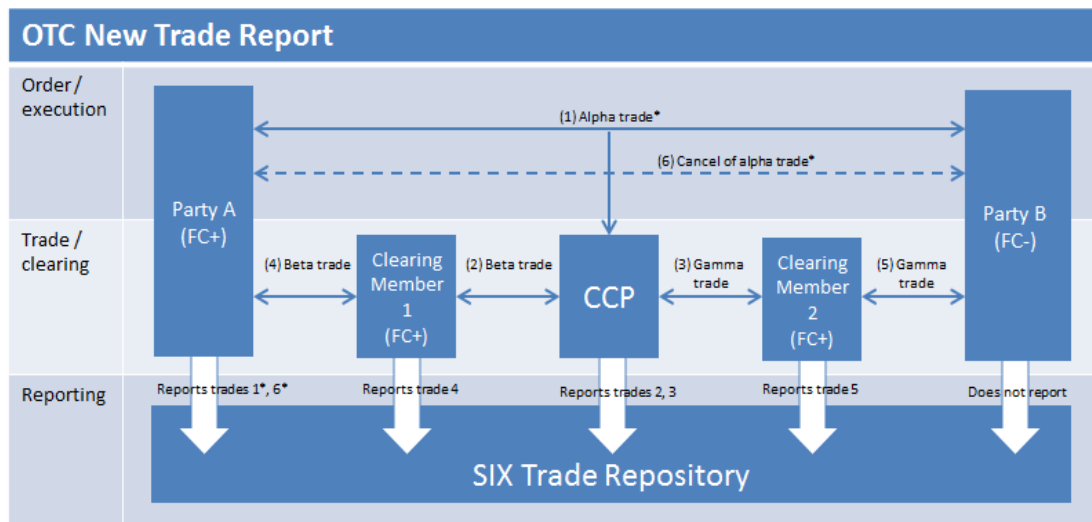
A bilateral alpha trade is booked between client A and client B and is – since in this sample case an FC- is involved – voluntarily sent for clearing through a clearing member/broker. The CCP accepts the trade and replaces the alpha trade with two new trades against the clearing members (beta and gamma).

In the example below, party A (FC+) is buying 50 of instrument ABC and party B (FC-) is selling 50. It is assumed that all parties are Swiss domiciled.

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### 4.1.1 Flow diagram of OTC reporting responsibilities



\* According to Appendix 2 FinfraV, the reporting of the alpha trade is allowed but not required if the alpha trade did clear on the same day (as the execution date of the alpha trade).

### 4.1.2 Table of required reports

Trade #	Other Counterparty	Buy/Sell Indicator	Quantity	Action Type	Reporting Logic
CCP reports:					
2	Clearing Member 1	S	50	New	CCP has obligation
3	Clearing Member 2	B	50	New	CCP has obligation
Clearing Member 1 reports:					
4	Party A	S	50	New	CM1 is seller
Clearing Member 2 reports:					
5	Party B	B	50	New	CM2 is FC+
Additional reports if alpha trade is not cleared on the same day					
Party A reports:					
1	Party B	B	50	New	Party A is FC+
6	Party B	B	50	Cancel	Party A is FC+

### 4.2 New OTC bilateral trade (uncleared)

According to Appendix 2 FinfraV, uncleared bilateral trades only need to be reported in their state at the end of the trade date but reporting firms are allowed to send the interim reports.

Example: If a firm bought a 100,000,000 FX forward then early terminated 25,000,000 and assigned 30,000,000 all on the same trade day, the firm would only need to report 1 trade with a notional of 45,000,000 instead of 3 separate trades on the trade date.



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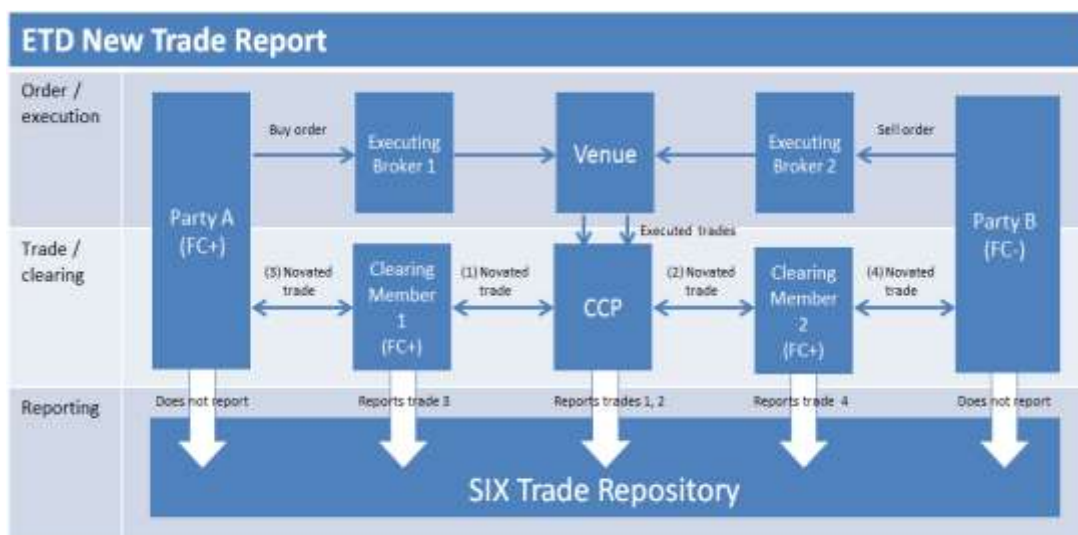
## Reporting Workflow

### 4.3 New ETD trade

All ETDs are cleared into a Clearing Members account with a Central Counterparty on trade date. The Executing Broker steps out of the trade once the Clearing Member accepts the trade. The counterparties of the ETD trade will have no knowledge of each other. Article 92 FinfraV therefore clarifies that the reporting obligation is with the party which is closer to the CCP in the chain of transactions.

In the example below, party A (FC+) is buying 50 of instrument ABC and party B (FC-) is selling 50. It is assumed that all parties are Swiss domiciled.

#### 4.3.1 Flow diagram of ETD reporting responsibilities



#### 4.3.2 Table of required reports

Trade #	Other Counterparty	Buy/Sell Indicator	Quantity	Action Type	Reporting Logic
CCP reports:					
1	Clearing M1	S	50	New	CCP has obligation
2	Clearing M2	B	50	New	CCP has obligation
Clearing Member 1 reports:					
3	Party A	S	50	New	CM1 closer to CCP
Clearing Member 2 reports:					
4	Party B	B	50	New	CM2 closer to CCP

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