



**FSA Transaction Reporting
Forum**

May 2011

Agenda



1. Transaction Reporting Systems and Controls

Barclays Capital:

Jonathan Richards, Director, Head of EMEA Operations Compliance

Karen Abbott, Director, Head of EMEA Operations Regulatory Control

Richard Woodward, Operations Regulatory Control

2. Market Abuse Case

John Norris, Market Conduct, FSA

3. ZEN Implementation

Brian Eyles, TMU, FSA

4. Zen Communications

Brian Eyles, TMU, FSA

5. Enhanced Business Validation Rules

Ana Fernandes, TMU, FSA

6. Q&A

Zen



- ZEN Implementation
- Communications

Brian Eyles, TMU, FSA

- Enhanced Business Validation Rules

Ana Fernandes, TMU, FSA

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ZEN Implementation



- The FSA's surveillance and monitoring system, Zen, will go-live on **Monday, 8 August 2011**. Zen will replace the existing FSA Sabrell system from this date.
- The new system will provide the FSA with:
 - enhanced regulatory capabilities including a market abuse monitoring, alerting and reporting function;
 - support for increased transaction volumes from the industry and to/from the ESMA TREM system;
 - support for the reporting of transactions identified using the Alternative Instrument Identifier (Aii).

ZEN Implementation



- To ensure the industry has sufficient notice to implement the reporting of Aii transactions, the FSA will require firms to be compliant no later than **13 November 2011** ('hard go-live').
- Subject to the respective firms' Authorised Reporting Mechanism (ARM) authorisation status and their state of readiness, firms may begin the reporting of Aii transactions from **8 August 2011** ('soft go-live').

ZEN Implementation



- To assist regulated firms and ARMs in testing, the FSA will make available an industry test environment (ITE) which replicates the functionality of the Zen production environment including the ingestion of production-like reference data.
- From 6 June 2011, ITE will be made available to the industry.
- Any issues encountered by firms during testing should in the first instance be reported to their respective ARM.

ZEN Implementation



- With the introduction of Zen (soft go-live), the FSA will introduce updated business validation rules. **These updates do not represent any change to the transaction reporting rules or guidance.** They merely tighten up the validation to ensure the FSA does not receive erroneous transaction data which will inhibit our ability - as well as other competent authorities - to investigate possible cases of market abuse.
- Consequently, this will result in some transaction reports being rejected that were previously accepted by the FSA Sabrell system.

- On 11 May 2011, the FSA met with the Authorised Reporting Mechanism (ARMs).
- On 13 May 2011, the FSA wrote to 21,000 regulated firms confirming the go-live dates
- On 18 May 2011, Market Watch #39 will be published in addition to updates to the FSA Transaction Reporting web pages
- On 18 May 2011, the FSA will publish for consultation proposed guidance for on-exchange derivative transactions conducted through exchange platforms

ZEN Enhanced Business Validation Rules



- **ISIN/OTC derivative/Aii transactions (enhancements effective from Zen implementation soft go live date)**
 - Enhanced validation of BIC codes: a BIC is only considered valid if it was active according to SWIFT BIC Directory on the trade date of the transaction report.
 - Enhanced validation of counterparty 2/client field: counterparty 2/client must not be populated for principal trades; counterparty 2/client code type must be blank when counterparty 2/client is not populated.
 - Enhanced validation of venue for instrument identifier: ISIN transactions will be rejected where venue is populated with an Aii MIC; Aii transactions will be rejected where venue is not populated with a valid Aii MIC.
 - Further clarifications:
 - Currency codes representing metals will be rejected by the FSA (XAU – gold; XAG – silver; XPT – platinum; XPD – palladium)

ZEN Enhanced Business Validation Rules



- **OTC derivative transactions**

- Change in validation for specific derivative types: transactions for derivative types future 'F', other swap 'S', spreadbet 'X', CfD 'D' or CDS 'Z' where put/call is populated will be rejected. **This change will be effective from Zen implementation soft go live date.**
- Change in validation of instrument type: underlying instrument ISIN must be provided for instrument types option 'O', future 'F' and other 'X'. The validation for instrument type index or basket 'I', equity 'A' and bond 'B' will remain unchanged. **This change will be implemented after Zen implementation soft go live date.**
- Enhanced validation of strike price: we propose to implement an enhancement in January 2012, following consultation, that the strike price must be populated for transactions on Credit Default Swaps.

SAMPLING FACILITY

The sample facility will still be available over the cut-over period.

Features of the Zen data extracts

- All versions of transactions reports are displayed
- Fields removed/added
- Fields renamed

Further details are available on the transaction reporting section of our website at:

www.fsa.gov.uk/Pages/Doing/Regulated>Returns/mtr/managing/index.shtml

Proposed change to guidance*: reporting of on-exchange derivative transactions conducted through exchange platforms (e.g. Bclear, flex options on the Turquoise Derivatives Exchange)

Under our proposal, all derivative transactions conducted through derivative exchange platforms, whether on order book (standardised contracts) or off order book (e.g. Bclear, flex options on the Turquoise Derivative Exchange) regardless of whether those off order book trades are fungible or differ in any characteristics from the standardised contracts, should be reported as on exchange derivative transactions.

- 1) Clearer and simpler guidance
- 2) Reflects more accurately the status of the transactions
- 3) Trade date and time is the date and time that the transaction was accepted by the exchange platform

*This is the subject of a consultation published on 18 May 2011 with a closing date for responses of 2 June 2011

ZEN Enhanced Business Validation Rules



Examples:

Flex option on Turquoise Derivatives (formerly EDX London)

- Call Option on DnB NOR
- Expiry: April 2011
- Strike price: 19 (this strike price differs from the strike price in the standardised contract)

Under our proposal*, this derivative transaction should be reported as an ISIN derivative transaction by using the ISIN code (NOOB00078976) of the call option, TRQD as the venue and the exchange CCP as the counterparty.

*This is the subject of a consultation published on 18 May 2011 with a closing date for responses of 2 June 2011

ZEN Enhanced Business Validation Rules



2) Fungible contract conducted on Bclear

- Call Option on Vodafone
- Expiry: Dec 2011
- Strike price: 160
- This contract is fungible with a LIFFE standardised contract

Under our proposal*, this derivative transaction should be reported as an Aii derivative transaction by using: instrument identification 'VOD', expiry date 'Dec 2011', strike price '160', derivative type 'O', put/call indicator 'C', venue identification 'XLIF' and the exchange CCP as the counterparty.

*This is the subject of a consultation published on 18 May 2011 with a closing date for responses of 2 June 2011

ZEN Enhanced Business Validation Rules



3) Non-fungible contract conducted on Bclear

- Call Option on Vodafone
- Expiry: Nov 2011
- Strike price: 166
- Both expiry date and strike price differ from the standardised contract

Under our proposal*, this derivative transaction should be reported as an Aii derivative transaction by using: instrument identification 'VOD', expiry date 'Nov 2011', strike price '166', derivative type 'O', put/call indicator 'C', venue identification 'XLIF' and the exchange CCP as the counterparty.

*This is the subject of a consultation published on 18 May 2011 with a closing date for responses of 2 June 2011

Reference Data issue – Aii Instruments (To be Publicly Consulted)*

Reference data received from regulated markets will incorporate derivative instruments where transactions are conducted through exchange platforms. That is, it will include all derivative instruments whether traded on-order book or off-order, i.e. whether these off-order book trades are on fungible or non-fungible contracts.

Following Zen implementation soft go live date, transaction reports in Aii instruments where the expiry date differs from that of a standardised contract will be rejected by the FSA (as currently the expiry date is part of the validation for an Aii instrument).

The FSA will be changing its validation after Zen implementation soft go live date to address this.

* This is the subject of a consultation published on 18 May 2011 with a closing date for responses of 2 June 2011



FSA Transaction Reporting Forum Q&A

17 & 18 May 2011