

CME European Trade Repository

Alternative Investment Fund Managers Directive (AIFMD)

CME Global Repository Services
May 2014

Why is EMIR relevant for funds and fund managers?



Overview	
<i>The reporting obligation under EMIR:</i>	<ul style="list-style-type: none">• The European Market Infrastructure Regulation 648/2012 (EMIR) introduced a requirement for counterparties and central counterparties to derivative transactions (including the conclusion, modification and termination of a contract) to report certain minimum details relating to those transactions to a trade repository (a TR) registered with the European Securities and Markets Authority (ESMA) following the conclusion, modification or termination of the contract.
<i>Who is affected?</i>	<ul style="list-style-type: none">• The reporting obligation applies to all counterparties to a derivative transaction, including financial counterparties (FCs) and non-financial counterparties (NFCs).
<i>EU funds</i>	<ul style="list-style-type: none">• EU funds are classified as either NFCs or FCs and are consequently subject to the reporting obligation.
<i>Non-EU funds</i>	<ul style="list-style-type: none">• In general, non-EU funds are classified as third country entities and are not subject to the EMIR reporting obligation.• However, they will be caught by the reporting obligation where they fall within the definition of an alternative investment fund (AIF) and their manager becomes authorised or registered as an alternative investment fund manager (AIFM) in accordance with the Alternative Investment Fund Managers Directive 2011/61/EU (AIFMD).• Such funds will be reclassified from third country entities to FCs.

Is my non-EU fund in scope for the EMIR reporting obligation?

Is the fund an AIF?

In order for the reporting obligation to apply, the fund must be an AIF.

An AIF is defined as a collective investment undertaking that raises capital from a number of investors; invests that capital for the benefit of those investors in accordance with a defined investment policy; and is not a UCITS fund under the UCITS Directive.

This definition is very broad and is likely to include all non-UCITS funds. In practice, it includes the following entities, amongst others:



Is my non-EU fund in scope for the EMIR reporting obligations?

Is the manager of the AIF an AIFM authorised or registered under AIFMD?

A non-EU fund will only be subject to the reporting requirements where it is an AIF and its manager becomes authorised or registered as an AIFM under AIFMD, in which case it will become an FC.

Under AIFMD, a manager will need to become authorised where it is:

- an EU manager managing an EU AIF;
- an EU manager managing a non-EU AIF; or
- a non-EU manager managing an EU AIF.

AIFMD also requires that a manager will need to become registered where it is marketing EU or non-EU AIFs in the EU.

Is my non-EU fund in scope for the EMIR reporting obligations?

Summary of key points

Whilst funds which are based outside of the EU are generally classified as third country entities and exempted from EMIR requirements, they will become subject to the reporting requirement where they are classified as an AIF and either:

- a) managed by an AIFM that is based in the EU; or
- b) managed by an AIFM that is based outside of the EU, but which markets EU or non-EU AIFs within the EU.

In practice, therefore, funds will be subject to the reporting requirement where they are managed according to the following structures:

Type of AIF	Type of AIFM
EU AIF	EU AIFM
EU AIF	Non-EU AIFM
Non-EU AIF	EU AIFM
Non-EU AIF	Non-EU AIFM which markets AIFs in the EU

What is the EMIR reporting obligation?



Overview

What must be reported?	<ul style="list-style-type: none">• All derivatives executed and any modification or termination; eventually collateral• Includes Exchange Traded Derivatives (ETD) and Over-The-Counter (OTC)• Asset Classes: Rates, Credit, FX, Commodities, and Equities
By whom?	<ul style="list-style-type: none">• All FCs, NFCs and CCPs – this may be delegated provided there is no duplication in reporting• Dual sided reporting – both counterparties are required to report
To whom?	<ul style="list-style-type: none">• A registered or recognised trade repository
How quickly?	<ul style="list-style-type: none">• Must be reported no later than the following working day following execution, modification or termination (EOD T+1)
When did the EMIR reporting obligation start?	<ul style="list-style-type: none">• From the 12th of February 2014• However, please see slide 7 for details of the start date for funds that are classified as non-EU AIFs
What has to be reported?	<ul style="list-style-type: none">• Counterparty data – 26 fields (participant IDs, valuations, etc.)• Common data – 59 fields (trade details, clearing, contract type, etc.)

When will the reporting obligation kick in?



Key dates

Whilst the reporting obligations went live on 12 February 2014, they will only apply to a non-EU fund (provided it falls within the definition of an AIF) once its manager has been authorised or registered under AIFMD.

Non-EU AIFs with an EU manager

EU based managers of AIFs have generally been required to be authorised as an AIFM since 22 July 2013. Depending on how different Member States implement the AIFMD, EU AIFMs will need to have applied for authorisation by 21 July 2014 at the latest.

Non-EU AIFs managed by an EU manager will therefore become subject to the reporting obligation in the latter half of 2014 at the latest, when their manager has become authorised.

Non-EU AIFs with a non-EU manager

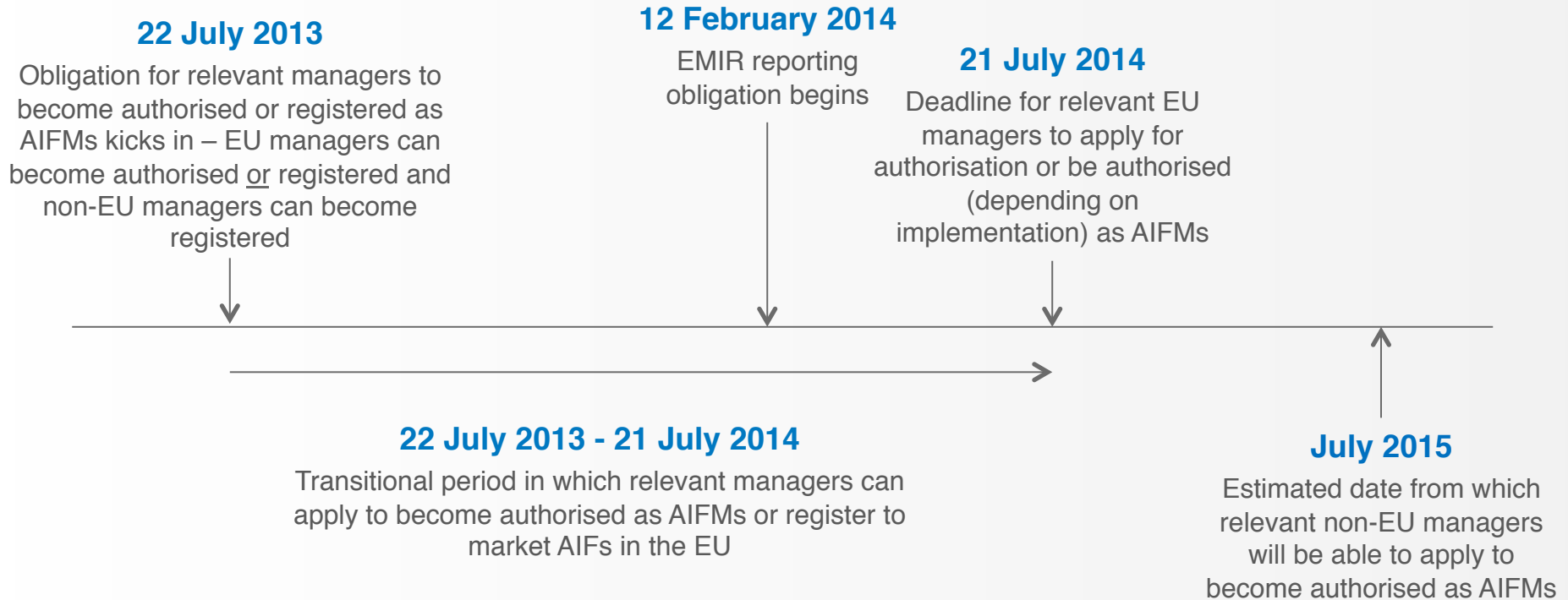
Non-EU based managers of AIFs are unlikely to be able to apply for authorisation as an AIFM until at least July 2015. As a result, it is likely that many non-EU AIFs managed by a non-EU manager will become subject to the reporting obligation in the latter half of 2015 and beyond.

However, the reporting obligation will also kick in if the AIF's manager becomes registered as an AIFM. This will occur where the manager is marketing in the EU. As with authorisation, the registration requirement came into force on 22 July 2013 but, depending on how different Member States implement the AIFMD, relevant managers have until 21 July 2014 at the latest to apply for registration.

When will the reporting obligation kick in?



Timeline of key dates



Will the EMIR reporting constitute a breach of any confidentiality obligations?



Disclosure waivers

Although EMIR seeks to address disclosure issues, entities subject to the reporting obligation may wish to look to obtain a disclosure waiver from their derivative counterparties before proceeding to report.

How do I obtain a disclosure waiver?

- ISDA Reporting Protocol contains a disclosure waiver for reporting requirements
- The ISDA 2013 EMIR Portfolio Reconciliation, Dispute & Disclosure Protocol contains a disclosure waiver solely for the EMIR reporting requirement
- Bilateral disclosure waivers

Further considerations for funds managed by an AIFM

Reclassification

Where a manager becomes authorised or registered under AIFMD, all of the AIFs that are managed or marketed by that manager will be reclassified from third country entities or NFCs to FCs for the purposes of EMIR.

Exposure to wider EMIR requirements

Non-EU funds which are reclassified as FCs will be subject to the full suite of EMIR requirements. This includes the EMIR clearing obligations and more extensive OTC risk mitigation obligations, in addition to the trade reporting obligations.

How can I fulfil my reporting obligation?



Self-reporting

Report directly to the CME European Trade Repository (**CME ETR**) or another TR registered with ESMA.

Please see further slides for details on testing and on-boarding with CME ETR.

Delegated reporting

CME Clearing and CME Clearing Europe offer a delegated service for EMIR trade reporting to CME ETR. More information can be found at www.cmegroup.com/delegatedreporting.

The service is available across all asset classes, OTC and exchange-traded, both available for any CME Clearing and CMECE cleared product (i.e. for underlying client trades where CME clears a corresponding contract).

CME ETR service



Multi-asset class offering

An ESMA approved TR covering all bilateral exchange traded and OTC products across all asset classes: interest rate, FX, credit, equities and commodities

European based solution

London based legal entity with local business and support staff

Cost effective

Per ticket model, irrespective of notional size, and no additional charge for modification reports

Test environment

Documentation and test available through: www.cmegroup.com/etr

Technologically efficient

Flexible upload submission reports via API and CSV; real time trade blotter and customisable reconciliation reports ad hoc or end of day

Delegated reporting

Available through CME Clearing and CME Clearing Europe: www.cmegroup.com/delegatedreporting

User onboarding steps and next steps



Register with an LOU for an LEI

www.leiroc.org/publications/gls/lou_20131003_2.pdf

Complete User Agreement

Applications to be sent to:
ETRRegistration@cmegroup.com

Report using CME ETR systems

CME ETR user interface




Facilitates upload of CSV files to CME ETR to comply with all reporting obligations

Ad hoc flexible reporting downloading capabilities – reconciliation reports customisable by any field

Supports cleared and bilateral transactions

Customise and save queries for streamlined access

CME ETR demo – www.cmegroup.com/etrdemo

 CME Group European Trade Repository									
Home Reports Submit Upload Admin Logout									
Credit Swap Trades									
Queries Demo Run Query Configurations {New/Default Config} 									
▶ Date(s): 10-12-2012									
Criteria Results SQL/Cache History									
Drag a column header here to group by that column									
	USI ♀	Status	Execution Date	Execution Time	Rpt Name	Non-Rpt Name	Reference Entity ♀	Cleared	First Submission TS
	04								
1	04_CDS_EX003	BILATERAL	10/12/2012	12:34:56	PARTYA	PARTYB	CDX-NAIGS10V4-3Y.Jun.2011	Intend to	12/06/2012 15:29:45
2	04_CDS_EX002	BILATERAL	10/12/2012	12:34:56	PARTYA	PARTYB	CDX-NAIGS10V4-3Y.Jun.2011	Uncleared	12/06/2012 15:29:45
3	04_CDS_EX004	BILATERAL	10/12/2012	12:34:56	PARTYA	PARTYB	CDX-NAIGS10V4-3Y.Jun.2011	Uncleared	12/06/2012 15:29:46
4	04_CDS_EX005	BILATERAL	10/12/2012	12:34:56	PARTYA	PARTYB	CDX-NAIGS10V4-3Y.Jun.2011	Uncleared	12/06/2012 15:29:46
5	04_CDS_P46	BILATERAL	10/12/2012	12:34:56	PARTYA	PARTYB	CDX-NAIGS10V4-3Y.Jun.2011	Uncleared	12/06/2012 15:29:45
6	04_CDS_EX003A	BILATERAL	10/12/2012	12:35:24	CME	PARTYA	CDX-NAIGS10V4-3Y.Jun.2011	Cleared	12/06/2012 15:29:45
7	04_CDS_EX003B	BILATERAL	10/12/2012	12:35:24	CME	PARTYB	CDX-NAIGS10V4-3Y.Jun.2011	Cleared	12/06/2012 15:29:46

European Trade Repository Fee Schedule*



Visit cmegroup.com/ETRFees for complete schedule

	CME	
Approach	Fees charged on a one-time basis to each side of transaction with a new UTI	
Asset Classes Serviced	Rates Credit FX Commodities Equities	
Who to Charge	Charge Per side of transaction Charge to User, Delegated Reporting Counterparty or Reporting Service Provider	
Minimum Annual Charge	£3,600 annually	
Covered by minimum	The first £300 of billable activity for the month is not charged	
Charge per UTI	<u>ETD (UTIs per month)</u>	<u>OTC (UTIs per month)</u>
	Tier 1: Less than 100,000 : £0.015	Tier 1: Less than 500: £0.50
	Tier 2: 100,001 – 750,000: £0.010	Tier 2: 501 – 15,000: £0.35
	Tier 3: Above 750,000: £0.005	Tier 3: Above 15,000: £0.12
Fee Cap	£200,000 annually	
Delegated Reporting	Only charged 1.5x, rather than 2x, for reporting both sides of transaction	
Fee Waivers	No maintenance fees and fee waiver for backloaded transactions	

*Subject to change and registration as Trade Repository under EMIR.

Connectivity



Approach

- Real-time systems
- Leverage ClearPort gateway & workflows
- Universal front end experience (API and CSV)
- Back end support of multi-jurisdictional reporting complexities

API Submission

- ClearPort API (FIXML) over MQ or HTTPS web services
- Leveraging ClearPort APIs and deploying Universal, DFA and EMIR native operations

CSV Submission

- Asset class specific templates
- GUI upload, secure FTP, or web services

Reconciliation Reports

- Customisable reports, by any attribute (i.e. product, LEI, date), available ad hoc or end of day

Documentation

- Technical CSV specs and User Guide available at www.cmegroup.com/etr

ESMA identifiers



Entity codes – LEI

- Interim ID – any interim solution that is adopted for European entities subject to the reporting obligation needs to be in line with the technical specifications agreed by the Financial Stability Board
- Once endorsed, LEIs will ID all financials, NFC, brokers, CCPs & beneficiaries
- Endorsed Interim LEI providers found at: www.lei.org/publications/gls/lou_20131003_2.pdf

Trade Codes – UTI

- It is the responsibility of the counterparties to a contract to generate a UTI
- Should be reported by each counterparty to allow for pairing of contracts

Product Codes – UPI

- UPI should be generated to identify the reported products
- Taxonomy should cover the range of derivatives products traded under EMIR
- Concerns that this will not be available by implementation date
- In the absence of a globally agreed product identifier, ESMA agreed that ISIN, AII and CFI may be used to correctly identify the derivative product

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