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## **Questions and Answers on OTC Reporting in the Nordic Region**

The following answers have been agreed upon by the financial supervisory authorities of Denmark, Finland, Iceland, Norway and Sweden.

**1. Where can we find guidance on OTC reporting?** Guidance on reporting transactions in OTC derivatives can be found in the document CESR/10-661. The necessary changes will be made to the national legislation but no guidance will be issued on a national level.

**2. Shall transactions in a CDS where the underlying is a treasury note or another type of subordinated note on a single issue and listed on a regulated market be reported?** Yes.

**3. The go-live date is set to 1 September 2011. What about transactions carried out before that date that for some reason needs to be cancelled after 1 September 2011?** It is only transactions carried out after 1 September 2011 that needs to be reported and if for some reason changes needs to be made in a transaction carried out before 1 September 2011 it does not need to be reported.

**4. Is the go-live date 1st September for all the Nordic countries?** The go-live date is 1 September 2011 the same in all the Nordic countries. If for some reason one country is not ready to go-live 1 September 2011 then it is not an option to report the transactions that should have been reported to the country in question to another Nordic country.

**5. Are the reporting requirements and definitions the same for all the Nordic countries?** There are certain differences in requirements. There is ongoing work to harmonise requirements in the Nordic region, but some differences will remain for the foreseeable future.

**6. Transactions in unlisted convertible bonds based on listed equities. Should the trades be reported? If so, how?** The trades should be reported as OTC derivative trades. The derivative type should be 'K'.

### **7. Asset Swaps**

- a. **Example: Client borrows a 1 million krona loan to buy government bonds and makes an asset swap contract to 6 months with a firm. After the 6 months the current status of the loan is compared to the**

value of the bond and the client is either in a positive or negative position. Interest rates on the loan are updated each week.

**Question:** After the six months are up, and it is decided to extend the above contract for another six months, which is very common, how would that be reported. Would there be a new, separate, report sent for the extended contract? Yes. The old contract expires after six months and then a new contract is made that is similar to the old contract. And this should be reported as a new transaction.

**b. Repo extension - Asset Swap contracts have a trade date and maturity date. Furthermore within the lifetime of the contract there are multiple shorter interest rate periods. At the end of each interest rate period, the terms of the interest rates are renewed. The contract has the same trade date, maturity date and reference number as before but the terms of the interest rates have been changed.**

**Question:** Should repo extensions be reported as new transactions? No.

**c. Example: On June 1. A client makes an Asset swap contract with a bank with a lifetime of 1 month. The client borrows 100.000 kr. from the bank to buy government bonds. On the maturity date, on July 1. The client decides to extend the Asset swap contract of 1 month more (which will be reported as a new contract)**

**Question:** Should the trade date on the new extended contract be July 1. or June 1. (Because the latter, June 1. was the initial trade date when the first Asset swap contract was made)? July 1st.

**d. If a securities firm makes an asset swap deal with itself, should this transaction be reported?** Only if the asset swap is made between two different legal entities, e.g. two subsidiaries of the same firm.

**8. How should you read the table in the beginning of section G in CESRs guidelines on how to report transactions on OTC derivative instruments?**

For Options, Warrants and Futures the transactions should be reported when the contract is bought or sold and not when the right is exercised. When the right is exercised the transaction is a normal buy or sell of the underlying. As for CFDs, TRS and Spread bets they should be reported when the contract is closed.

**9. How should you read the last part of section G in CESRs guidelines on how to report transactions on OTC derivative instruments?** If for some reasons the transaction reported contains errors the transactions should be cancelled and if the transaction has taken place it should be resend with the correct information. If the transaction is correct and the change is due to a change in the notional amount it should result in a new transaction showing only the dif-

ference i.e. if the original contract was for a buy of 1,000 and the new contract is for a buy of 900 the new transaction should be a sell of 100.

**10. What determines whether a derivative is reportable or not (the underlying or the ultimate underlying)?** The ultimate underlying instrument of the OTC-derivatives is the key element that determines whether a derivative is reportable or not.

**11. If the ultimate underlying instrument is an AII-instrument. How should it be reported since the XML-schema doesn't allow that format?** It should not be reported.

**12. Should the Unit Price of OTC-derivatives where the underlying instrument is a bond be reported as Price Percentage? Is this also the case when we have a credit derivative that should be reported on behalf of points?** Only when the underlying debt instrument is usually priced as a percentage. In the rare case of put/call options on debt instruments, the unit price should reflect the price of the option, and thus cannot be quoted as a percentage.

**13. Should company changes and events like splits and emissions of the underlying instrument be reported through cancellation and a new transaction?** No.

## Technical questions

- 1. What instrument should be described in the field Instrument Description?** The instrument that should be described is the instrument in question and not the underlying.
- 2. According to the population of fields table per type of derivative the strike price for futures should not be populated. So why do it not get an error for a strike price in futures?** Currently TRS does not validate population of fields table per type of derivative. The validation will be done manually.
- 3. According to the population of fields table per type of derivative the price multiplier is mandatory for a future and allows for zero values. Why do I get an error IPMV for a value of 0 (zero) in price multiplier for a Future?** TRS allows positive values and zero according to the schema but during the following validation it will reject the transaction because the value must be greater than zero. The discrepancy between the guidelines from ESMA and the schema is caused by ESMA.
- 4. Where do I find the XML Schema for feedback of OTC transactions? If I'm to use the existing feedback schema for MiFID transactions then there is a naming inconsistency: The term Reporting Party is used in OTC transaction, but in the feedback file it's Reporting Firm.** It is the same schema used for feedback from both OT and TR transaction files. There is an inconsistency in the naming of tags.