

Warsaw, 12 September 2014

**Participants of the Trade Repository KDPW\_TR  
Interested Persons**

**Re.: Implementation of New KDPW\_TR Controls and Functionalities**

Dear Madam or Sir,

It has been seven months since the reporting effective date (on 12 February 2014). Over that period, the European Securities and Markets Authority (ESMA) and the national supervisory authorities have continuously monitored the reporting process, including in particular its universal application and the quality of reporting. Despite the passing of time, regularly prepared statistics of data quality have not improved. Data quality depends not only on timely fulfilment of the reporting obligation but also, to an equal degree, on consistent reconciliation of the content of reported data between the transaction counterparties, as well as disciplined compliance with the guidelines contained in the TS (Technical Standards) and the Q&A published by ESMA. However, this practice in all markets obliged to report under EMIR is below the expectations of ESMA. This is also why the data reconciliation mechanism implemented by the Trade Repositories is ineffective. As a result, aggregate reports for the Regulators often lack the expected values and do not reflect the holding balances of relevant entities.

Following the stabilisation of reporting, ESMA is striving to ensure that maintained data become useful.

In order to improve data quality, ESMA has identified a number of issues which arouse doubts of Reporting Participants and has obliged all Trade Repositories, as entities required under EMIR to ensure that maintained data are correct and conform with the applicable TS, to implement new controls and functionalities in the following areas:

- 1. validation of reports sent to the TR;**
- 2. validation of reports sent for reconciliation and the scope of data sent in the reconciliation message trar.rcn.001.01.**

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According to ESMA's expectations, the modifications to the reporting and reconciliation process should be implemented at the turn of October to November 2014.

Further to the foregoing, this is to advise you of the planned modifications and to communicate detailed information on the operating principles of the new controls and the characteristics of the new functionalities.

Please note in particular that the implementation of the modifications may result in Trade Repositories including KDPW\_TR rejecting reports which are acceptable at this time. In this connection, please review your internal processes and make all efforts to ensure that data reconciliation between transaction counterparties fulfils all of the requirements described below.

## 1. Validating reports

- a. Validation of field 4.1.1 (tag number in message trar.ins.001.01) Trade ID (TID) according to the guidelines described in the Q&A. According to TR Answer 18 and 19 (last update 11 February 2014), the TID should be constructed on the basis of the guidelines described in the Q&A to ensure that the constructed identifier is a UTI. In order to enforce these rules, TRs will implement the following controls:
  - Checking the prefix. The TID must begin with one of the following values (first three digits):
    - “E01”;
    - “E02”;
    - “E03”;
    - “E04”;
    - “000”.
  - Checking the identifier length – max 52 characters;
  - Checking that only alphanumeric characters are used.

Please note that the UTI should be agreed in compliance with the hierarchy described in TR Answer 19 of the Q&A. Please also note that the check will only apply to new reports (AT=N), which means that all reports sent before the validation is implemented will be maintained unchanged in the system.

- b. Validation of mandatory completion and content of fields where no value is entered. According to ESMA's interpretation published in TR Answer 20 of the Q&A (last update: 24 June 2014), the fields specified in the ST include:
- The fields that are not mandatory for a specific class of instrument – such fields in sent reports should be left blank.
  - The fields that are mandatory for a specific class of instrument – if a value is not available when sending the report, such fields cannot be left blank but they should include the NA value (Not Available) instead. In order not to change the field format under the TS, all Trade Repositories will implement the same substitute values for such fields, which will conventionally be equal to the NA value:
    - For fields 2.3.3 Corporate sector of the counterparty and 2.4.6 Financial or non-financial nature of the counterparty, a new value “X” will be added to the dictionary to mean NA (Not Available); it will be allowed in reporting only if the identifiers reported in fields 2.1 CtrPtyTRId and 4.5.4 CCP match. In practice, the control will enable the reporting of transactions to which the CCP is a party.
    - Section 4.3.3 Price/rate will have to be completed for AT=N and O. For field 4.3.3.1 Price notation, a new value “NA” meaning Not Available will be added directly to the dictionary. If the value in field 4.3.3.2 is not available, the following value should be entered: “999.999.999.999.999,99999”.
    - Field 4.4.1.2 Confirmation timestamp will be mandatory for AT=N and O if field 4.4.2. Confirmation means has the value 'N'. If the value is not available, the following value should be entered: “1900-01-01T00:00:00Z”.
    - For field 4.5.1 Clearing obligation, a new value “X” will be added to the dictionary to mean NA (Not Available);

