

CFTC reporting remediation at a global investment bank

The client

A European swap dealer with headquarters in London that had traded tens of millions of derivatives with clients across the globe since CFTC reporting go live in 2013.



Background

In order for swap dealers to comply with Parts 43, 45 and 46 they must submit timely and accurate swap transaction data to a registered swap data repository (SDR). Pricing data must be reported in real-time and any errors or omissions that are discovered must be corrected.

CFTC reporting is a single-sided reporting regime. Reporting firms must have in place the appropriate process to determine if they are the counterparty responsible for reporting to the SDR.

The problem

The bank began discussions with the regulator after it discovered issues with its reporting however it was unable to detect the scale of the issues or exactly what they were. Multiple source systems and huge amounts of data made the analysis of the problem next to impossible to complete without specialist help. Changes to counterparties' status over time meant that some trades were in scope for reporting at some times and out of scope during others. Complicated trading scenarios made it difficult for the firm to decide which trades they needed to report.

Application of Kaizen's **ReportShield™ Accuracy Testing** and **Advanced Reconciliation** services revealed that more than 500,000 trades had been omitted from reporting. The root cause of under-reports largely revolved around incorrect US persons static data in the client's reference data. Further investigations also revealed system issues around the reporting of data in Coordinated Universal Time (UTC) which meant that the majority of data that had been reported to the SDR was incorrect.



We can perform targeted testing on specified fields or the full test suite dependent on your preference.

How we solved it

Kaizen's expertise in functionality of the SDR enabled correction files to be built and tested quickly. Files included all required data, including MTM valuations, and the firm's reporting can now be evidenced as being complete using the host of management reports created by Kaizen.

The results

The client has now reported all historic data that was omitted or erroneously reported. Kaizen's analysis of historic data also allowed them to detect current reporting flaws that needed to be corrected. As a result, the client is now confident that all historic data has been reported correctly and it can focus on the challenges that are emerging with future regulatory change, rather than problems of the past.

Contact us

For a conversation with one of our CFTC Reporting specialists or a free healthcheck of your reported data, please contact us.

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About Kaizen Reporting

Kaizen Reporting is an industry pioneer and leading provider of regulatory reporting assurance services for the global financial services industry. Kaizen's ReportShield™ assurance services combine regulatory expertise with advanced technology and are used by some of the world's largest financial institutions to ensure the accuracy and completeness of their CFTC, SEC, MiFIR, EMIR and other G20 reporting obligations.

Kaizen's multi-award winning ReportShield™ Accuracy Testing is unique in giving clients full visibility of their reporting quality and is supported by our team of regulatory specialists who include former regulators and industry subject matter experts.

Kaizen has been recognized as an innovator by leading industry organizations including by the UK government. Our mission is to transform the quality of regulatory reporting in the financial services industry.

