



EMIR REFIT ramp-up

## Countdown to compliance: EMIR REFIT rollout starts April 29, 2024

**EMIR REFIT, or the European Market Infrastructure Regulation Regulatory Fitness and Performance program, will be fully applicable as of April 29, 2024. It endeavors to bolster the effectiveness of the current EMIR framework. It does so by prioritizing improvements in transparency, standardization, and data quality across derivatives markets. This initiative aims to tackle various challenges, including the disproportionate costs associated with compliance, deficiencies in data supervision, and concerns regarding data accessibility.**

**EMIR REFIT seeks to ensure coherence and alignment with regulatory regimes and jurisdictions worldwide, fostering a more harmonized and efficient global derivatives market.**

## Key highlights and innovations:

### Coexistence of different definitions, formats, and usage of key OTC elements not aligned with global standards:

The coexistence of different definitions, formats, and usage of key over-the-counter (OTC) derivatives elements not aligned with global standards is a significant driver of change within EMIR REFIT (this included but is not limited to discrepancies in how certain key elements of OTC derivatives were defined across different jurisdictions, variations in the formats or structures used to report OTC derivatives data). EMIR REFIT aims to address this by promoting standardization and harmonization across the European Union (EU) financial markets.

- **Fragmented regulatory landscape:** Prior to EMIR REFIT, the regulatory landscape for OTC derivatives in the EU was fragmented, with different Member States implementing varying standards. This fragmentation resulted in inconsistencies and inefficiencies in reporting, clearing, and risk management processes.
- **Lack of consistency in definitions and formats:** Market participants often used disparate definitions and formats for reporting OTC derivatives transactions. This lack of standardization made it challenging to aggregate and compare data accurately, hindering transparency and regulatory oversight.
- **Misalignment with global standards:** The lack of alignment with global standards, such as those set by the International Swaps and Derivatives Association and the Financial Stability Board, created challenges for cross-border transactions and regulatory compliance, while also increasing operational complexity.

### Lack of information granularity to execute reporting validation and reconciliation processes:

Another key driver of change within EMIR REFIT is the lack of information granularity to execute reporting validation and reconciliation processes. OTC derivatives transactions involve complex financial instruments and counterparties, generating vast amounts of data that require accurate reporting for regulatory oversight and risk management purposes.

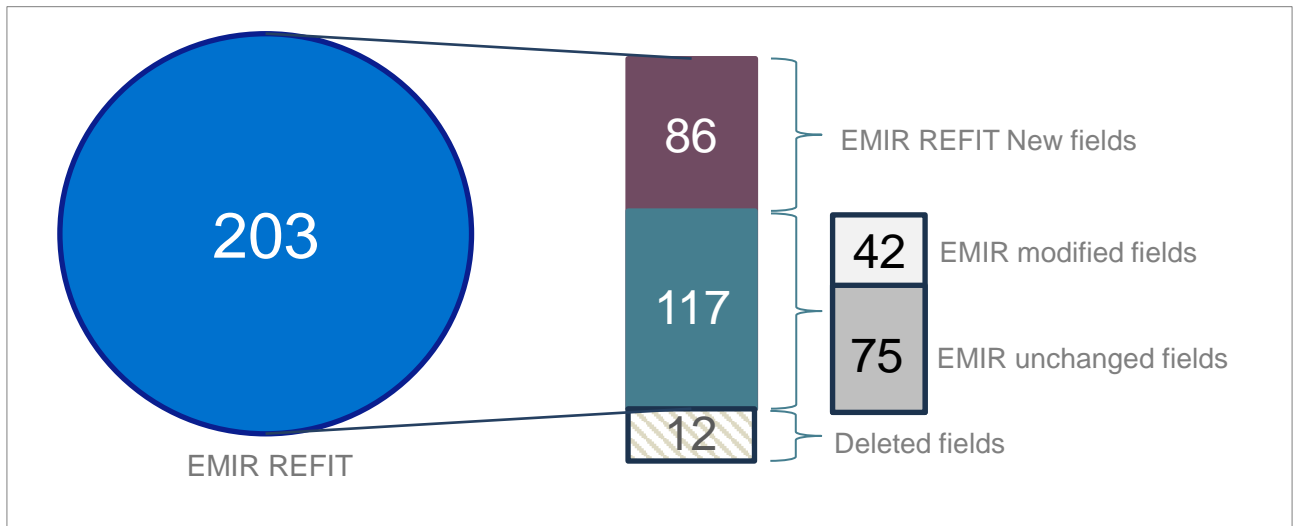
- **Incomplete or inaccurate reporting:** Prior to EMIR REFIT, reporting of OTC derivatives transactions often lacked granularity, leading to incomplete or inaccurate data submissions to trade repositories. This hindered regulators' ability to effectively monitor systemic risk, detect market abuse, and ensure compliance with regulatory requirements.
- **Challenges in data validation and reconciliation:** The lack of information granularity posed challenges for data validation and reconciliation processes, as regulators struggled to match reported trades with counterparties' records and market activity. This increased the risk of regulatory reporting errors, inconsistencies, and compliance breaches.
- **Operational inefficiencies and compliance risks:** Market participants faced operational inefficiencies and compliance risks due to the manual effort required to rectify reporting discrepancies and errors. This resulted in increased costs, resource burdens, and potential regulatory sanctions.

**In short:** EMIR REFIT enhances OTC derivatives reporting by improving data granularity and quality. It standardizes data fields, validation checks, and reconciliation processes, promoting consistency and completeness in reporting. Leveraging technology like regulatory reporting platforms and data analytics tools streamlines processes and boosts regulatory compliance.

Key changes

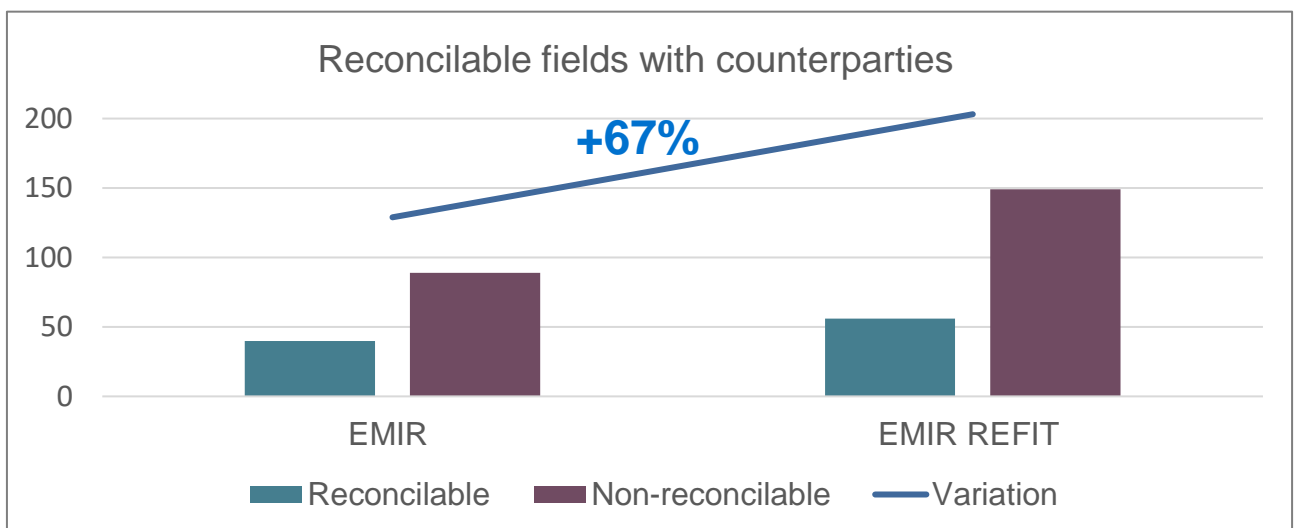
Increased Reporting fields

Under EMIR REFIT, the number of required reporting fields has expanded to 203. These fields include various details about the derivative transactions, such as counterparties involved, contract specifications, valuation details, and risk mitigation techniques, among others.



Reconciliation changes

Trade repositories reconcilable fields with counterparties increased by 67%, expanding from 89 to 149 fields.



Data Quality

New end-to-end reporting format (ISO20022 XML), including validation and reconciliation controls, to standardize the reportable data for all stakeholders that are involved in the reporting process

Deficiency Escalation

Obligation for the relevant entities to swiftly notify the competent authorities in case of defects, obstacles, errors, or any significant issues that might result in the reporting requirement being impacted.

### Key impacts on Market Participants



#### Enhanced compliance standards



Increased oversight on data quality, established on a data-driven and outcome-focused approach, including validity of data for reconciliation.



#### Systems and Architecture



Update of all software and IT related infrastructure to adapt to the new reporting structure, also including data selection, storage, and retrieval.



#### Control Framework



Revision of the overall control and oversight model to adjust to regulatory expectations and new escalation requirements, ensuring ample risk mitigation.

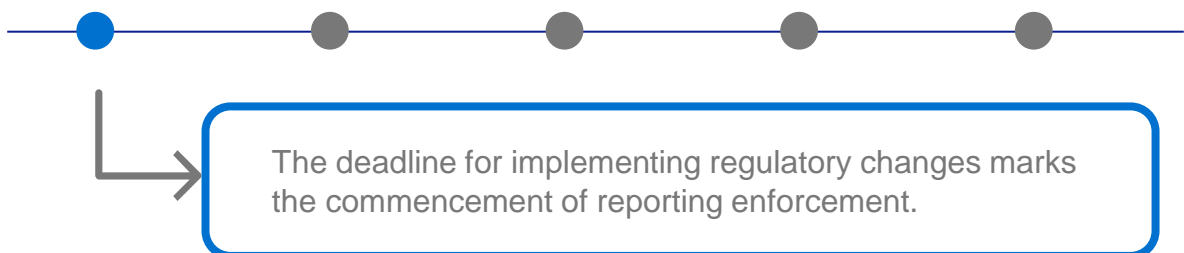


#### Policies and Procedures



Amendment of all procedures and policies relating to EMIR, including update of contracts for delegation or otherwise, with different stakeholders

## April 29, 2024



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