

Regulatory Reporting: Central Bank of Ireland Meetings Brief April 2021

**Key takeaways from Central Bank of Ireland meetings with
Irish Funds Regulatory Reporting Working Group**



Executive Summary

As noted in the Irish Funds Weekly Update email from 11 December 2020, the Regulatory Reporting Working Group met virtually with several representatives from the Central Bank of Ireland (“CBI”) on 9 November 2020. Irish Funds also hosted a follow-up meeting on 30 March 2021. These meetings are part of a standing collaboration between Irish Funds and the CBI to assist with increased transparency on regulatory reporting, both from a consultation and an operational perspective. Rachel Thornton, Irish Funds Working Group Chair, led the wide ranging and detailed discussions. This brief elaborates on the regulations discussed, and critically the key recommendations that all market participants with regulatory reporting responsibilities should be aware of.

Highlighted topics are:

Alternative Investment Fund Manager’s Directive (“AIFMD”)
Resident Investment Funds Return (“MMIF”)
Money Market Funds (“MMF”)
European Market Infrastructure Regulation (“EMIR”)

Alternative Investment Fund Managers Directive (“AIFMD”) Update

Introduction

Annex IV of AIFMD sets out regulatory reporting obligations for Alternative Investment Fund Managers (“AIFM”) in respect of each Alternative Investment Fund (“AIF”) that is domiciled or marketed in the European Union (“EU”).

AIFMD has been a very hot topic of discussion for the past six months given the European Commission’s consultation “Financial Services – Review of EU Rules on Alternative Investment Fund Managers”. Irish Funds undertook a comprehensive project culminating in their [response](#) to the Consultation Paper, submitted on 29 January 2021. The response recommends that no fundamental overhaul of framework is needed, asks to maintain the current delegation framework and suggests further supervisory convergence is to be welcomed.

CBI Feedback

Outside of the consultation, AIFMD Annex IV reporting remains an ongoing responsibility for AIFM’s and their service providers. The CBI noted their continued focus on data accuracy. Of note are data points which are repeated across multiple filings. It is imperative that these data points are consistent across each filing made, whether that be by the AIFM or their service provider. The CBI recommends that parties responsible for submitting returns ensure robust data quality checks are in place to mitigate against data inconsistency. Related to this, the CBI will be introducing enhanced technologies in 2021 to monitor data and identify inconsistencies.

2021 Outlook

This focus on Data Quality is very much in line with ESMA's Data Strategy and supervisory convergence work, which has particular focus on the enhancement of data quality for the different reporting regimes under its mandate (AIFMD, MMF, Prospectus, EMIR Refit, SFTR, MiFIR/MiFID II, MAR). In 2021 ESMA and National Competent Authorities ("NCA") will design and implement data quality action plans on AIFMD, MMFR, Prospectus, MiFIR/MiFID II. Actions in 2021 will include the combination of data to support analysis, the development of supervisory methodologies for data analysis and quality monitoring, and the enhancement of data analytical systems.

More information can be found on the CBI's website:

<https://www.centralbank.ie/regulation/industry-market-sectors/funds/aifs>

Resident Investment Funds Return ("MMIF") Update

Introduction

The introduction of the MMIF in 2014 resulted in significant changes to what and how administrators reported to the CBI on behalf of Irish domiciled investment funds. The CBI has worked closely with the funds industry in the intervening 7 years which has resulted in a higher standard of reporting being submitted by administrators.

CBI Feedback

The CBI confirmed that while potential changes were on the more long-term horizon, no significant changes are anticipated in 2021. The European Central Bank is currently undergoing a review of reporting requirements which is expected to continue throughout 2021. The CBI have confirmed that they will engage with the industry early with regards to any future changes, thus ensuring adequate implementation time.

Recommendations

Whilst noting the improvement in data quality the CBI emphasised that there are still areas that need improvement. The CBI emphasised the importance of data accuracy and highlighted areas that result in poor data quality. The first of these is where an administrator is impacted by staff turnover with inadequate handover and training resulting in poor quality of returns being submitted. The CBI expects there to be adequate training within administrators to ensure reporting is not impacted by staff turnover.

Also, where there is a change in administrator the CBI are seeing poor quality data being submitted post transition. The CBI recommends that the incumbent administrator is responsible for sign off at the transition date.

Information on the completion of MMIF returns can be found on the CBI's website:

[https://www.centralbank.ie/statistics/statistical-reporting-requirements/fund-administrators/money-market-and-investment-funds-return-\(mmif\)](https://www.centralbank.ie/statistics/statistical-reporting-requirements/fund-administrators/money-market-and-investment-funds-return-(mmif))

Money Market Funds (“MMF”): ESMA & Irish Regulatory Reporting Landscape

Introduction

MMF continue to be a key area of focus for regulators globally due to their market size and concerns of the persisting impact of the pandemic. The latest available CBI statistics shows Irish domiciled MMF representing almost 45% of European MMF as at 30 September 2020. Although the COVID 19 crisis is different to the global financial crisis of 2008 and the Regulation (EU) on Money Market Funds 2017 (“EU MMFR 2017”) has increased the resilience of MMF, for policymakers, key questions surround the optimal application of regulation to reduce risks, manage the impact of broader market disruption, and, more widely, understand the impact of structural changes on liquidity, particularly at times of market stress. EU MMFR 2017 will fall into a five-year review cycle in 2022.

September 2020 was the due date for the delivery of the Q1 and Q2 reporting of the new ESMA MMF Quarterly Reporting Template as per Article 37 of MMFR. The Regulation requires MMF managers to submit data to NCA, who will then transmit to ESMA. In January, we saw the CBI making their first submission to ESMA with 2020 data and feedback at European level may result in further refinement of data requirements from CBI ahead of next quarterly return in April.

CBI Feedback

The CBI confirmed that the MMF Daily Characteristics Reporting would remain in place even with the introduction of the Article 37 MMFR quarterly reporting. The CBI are in the process of changing the submission channel for this report, with plans to gather the daily data through the Online Reporting System (“ONR”) return as an XML template as opposed to current email format. The template will include new data validations. As part of this schema design, during January the CBI reached out to MMF providers requesting assurance that the Collar Deviation Figure provided to them in the Daily Report is the figure(s) that the LVNAV MMF’s Board/ManCo would utilise to determine whether the LVNAV MMF has exceeded the 20bps threshold and the LVNAV MMF is therefore required to issue/redeem units based at a variable price. Following this engagement with a subset of industry representatives supporting MMF’s (Managers & Administrators), the CBI have updated the draft schema. The CBI have confirmed that once they issue the draft schema for this ONR change, they will engage with the industry (including Irish Funds Working Groups) regarding additional data requirements and validations ahead of target implementation date later this year.

Information on the completion of the MMFR returns can be found on the CBI’s website:

[https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/Funds/industry-communications/money-market-fund-regulation-\(mmfr\)-reporting-guidance.pdf](https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/Funds/industry-communications/money-market-fund-regulation-(mmfr)-reporting-guidance.pdf)

European Market Infrastructure Regulation ("EMIR")

Introduction

Under EMIR, Counterparties to derivative trades ("Counterparties") who are established in the EU must report details of derivative contracts they have concluded, terminated or modified to certain trade repositories ("TR's") in compliance with requirements set out in EMIR and related implementing and technical regulations and guidance¹. The reporting obligation applies to all Counterparties, including Non-Financial Counterparties ("NFC's"). In 2018, the CBI as the NCA for EMIR purposes, undertook a review of data quality on reported EMIR data for a cross section of Counterparties. The purpose of the exercise was to ascertain compliance with EMIR requirements. On 20 February 2019, the CBI provided its feedback on this review via an industry letter communication highlighting the main issues identified so that appropriate industry action could be taken to ensure EMIR reporting is complete, accurate and timely in all instances.

CBI Feedback

The CBI noted that since the communication, they have seen a marked improvement with EMIR data quality and further noted that Ireland is considered one of the best in class in Europe for EMIR reporting. Nevertheless, several recurring negative trends and points remain as follows:

1) Lessons learned: Applying lessons learned when a fund adds or changes counterparty/prime broker so that previous issues identified do not repeat is critical to the EMIR reporting and oversight process. It is recommended that lessons learned should be communicated at the point of engagement with any new prime broker.

2) Data quality with Unique Trade ID (UTI): It was noted that the UTI is not always available within the mandated timeline for reporting and instances of old UTIs being used were identified. Per the CBI communication, until a global UTI is available, a Unique Trade ID should be agreed with the other Counterparty and reported. If no Unique Trade ID is available, a unique code should be generated and agreed between Counterparties.

3) Outstanding and Expired/Matured Trades and Positions: The CBI confirmed that fund de-authorisations will not be approved without close out of all open maturities.

Recommendations

The importance of having adequate oversight of EMIR reporting even in situations where reporting is delegated by the Counterparty was emphasised as part of the Irish Funds meeting with the CBI. It was further noted that the CBI has a greater ability to analyse in depth EMIR data following internal technology improvements. EMIR reporting data quality will continue to be a strong focus in 2021 by the CBI and it was stressed that EMIR data is also used as part of the CBIs approach in regulating other activities, highlighting the importance of data quality (e.g. thematic reviews). In addition, it is expected ESMA will continue to focus in this area in 2021.

Notwithstanding the positive developments in relation to EMIR reporting noted by the CBI, Irish Funds recommends that counterparties pay particular attention to the elements that remain below the standard

expected, as highlighted above and ensure comprehensive adherence to recommendations outlined in the CBI's industry communication of 20 February 2019.

¹ Article 9 of the Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (as amended) ("EMIR")
Statutory Instrument (S.I) No 443 of 2014 European Union (European Markets Infrastructure) Regulation 2014 (as amended) "the Regulations")

https://www.esma.europa.eu/sites/default/files/library/esma70-1861941480-52_qa_on_emir_implementation.pdf

Other Proposed Changes Due in 2021

The CBI has made a strategic decision to update the format of several return types on the ONR due to the limited functionality and high relative cost of maintaining these returns in their current format. Some of the returns submitted by firms will gradually be phased out and replaced by more fit-for-purpose formats, such as XBRL and XML, which are commonly used by other NCA and European Supervisory Authorities (a number of XBRL/XML return types are already being submitted to the CBI's ONR system).

The CBI will be introducing XBRL versions of the PRISM Impact Metrics Data return ('PIMD') and FINREP return(s) currently submitted on ONR. The CBI expect the new taxonomy to be published on the CBI website in late May/early June 2021 and made available on the ONR test site for a period of external testing at this point. It is likely that this testing window will remain open for a period of 4-6 weeks with support provided for the duration.

The CBI Taxonomy when published on the website will contain the following information –

- i. XBRL taxonomy files and supporting documentation
- ii. XBRL filing rules
- iii. Taxonomy packages
- iv. Sample files

It is intended that a further 2 returns will be migrated to XBRL in the 2nd iteration of the taxonomy, which is intended to be published later in 2021, specifically –

1. Monthly Metrics return; and
2. Quarterly Assets Under Management return

The first reporting period to submit the new format of the PIMD and FINREP returns is anticipated to be 30 September 2021, however this is still to be confirmed.

Details of a number of XBRL solutions/vendors can be found at the [Eurofiling website](#), however it should be noted that this is not an exhaustive list and the CBI does not provide recommendations on any one vendor/solution.

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