# DIGITAL REGULATORY REPORTING (DRR)

**ISDA** | Safe, Efficient Markets

Workshop on unlocking the potential of machine readable and executable reporting (MRER)

CDM

*October 18, 2022*

# Market infrastructure Challenge

All parties store trade data in bespoke formats
and make lifecycle changes to these records in an inconsistent manner

Judiciary
+ Regulation

Central Banks + Regulators
(CFTC, FED, ECB, BoE, FCA etc)

Trading
Venue

Trade Data Repository
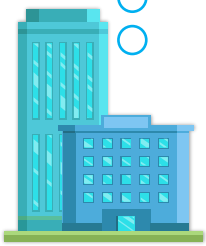
Securities Depository

Legal opinions

Investment Bank
Dealing Swap

Corporate Bank
Hedging

Government

Custodian
Bank

Legal
Documentation

Central Clearing
Counterparty (CCP)

# Consistent implementation of regulations

**Regulatory Rules & Best Practices**

Regulatory Text

Data Field Mappings Tables

Graphs and Spreadsheets of Trading Scenarios

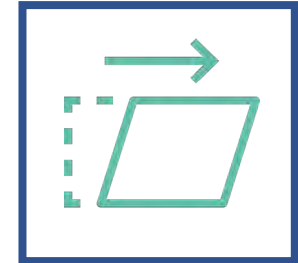A Common Industry Interpretation of Rules and Best Practices is Encoded using CDM
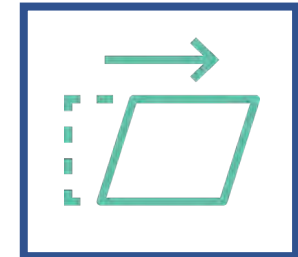
# CDM

**SINGLE "TRUTH"** ☺

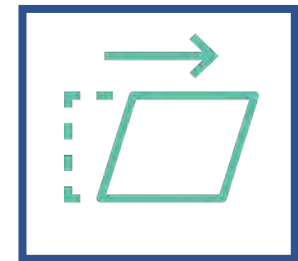**Implement the same Open Source CDM Code in Solutions**

Dealer X

Dealer Y

Vendor Z

**Consistent Industry Implementations**

# How DRR builds on CDM

**Trade Repository template format**

MAS　HKMA　ASIC

CFTC　EMIR

**Digital Regulatory Reporting** C D M D R R

ISDA Master Agreement　ICMA GMRA　ISLA GMSLA

**LegalDocumentation** – incl. market master agreements, definitions, contract, etc.
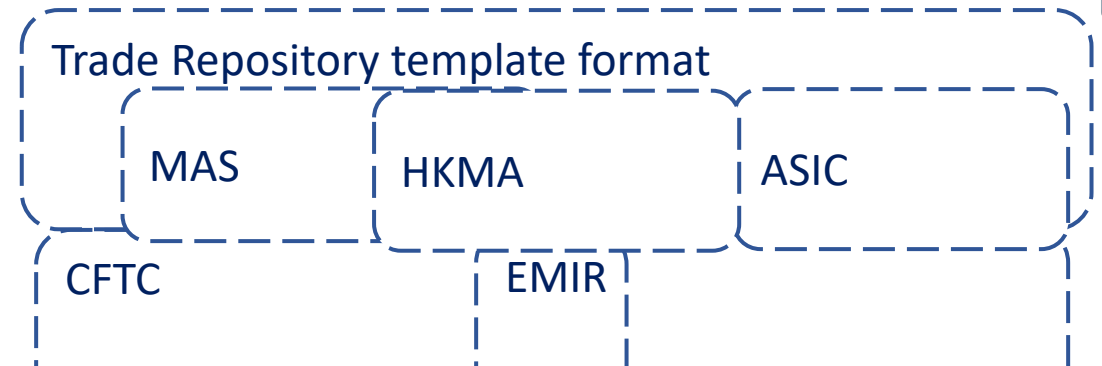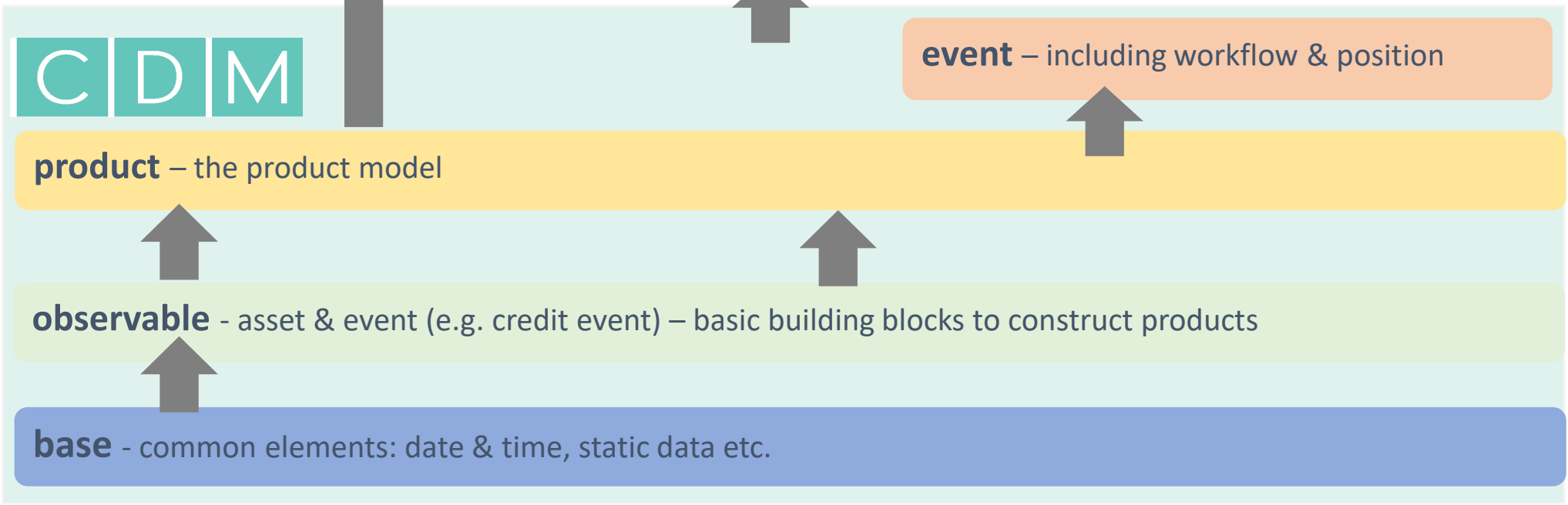
Models built on CDM with alternative governance or licensing frameworks as appropriate of models

**Core CDM under open source license and governance at FINOS**

C D M

**event** – including workflow & position

**product** – the product model

**observable** - asset & event (e.g. credit event) – basic building blocks to construct products

**base** - common elements: date & time, static data etc.

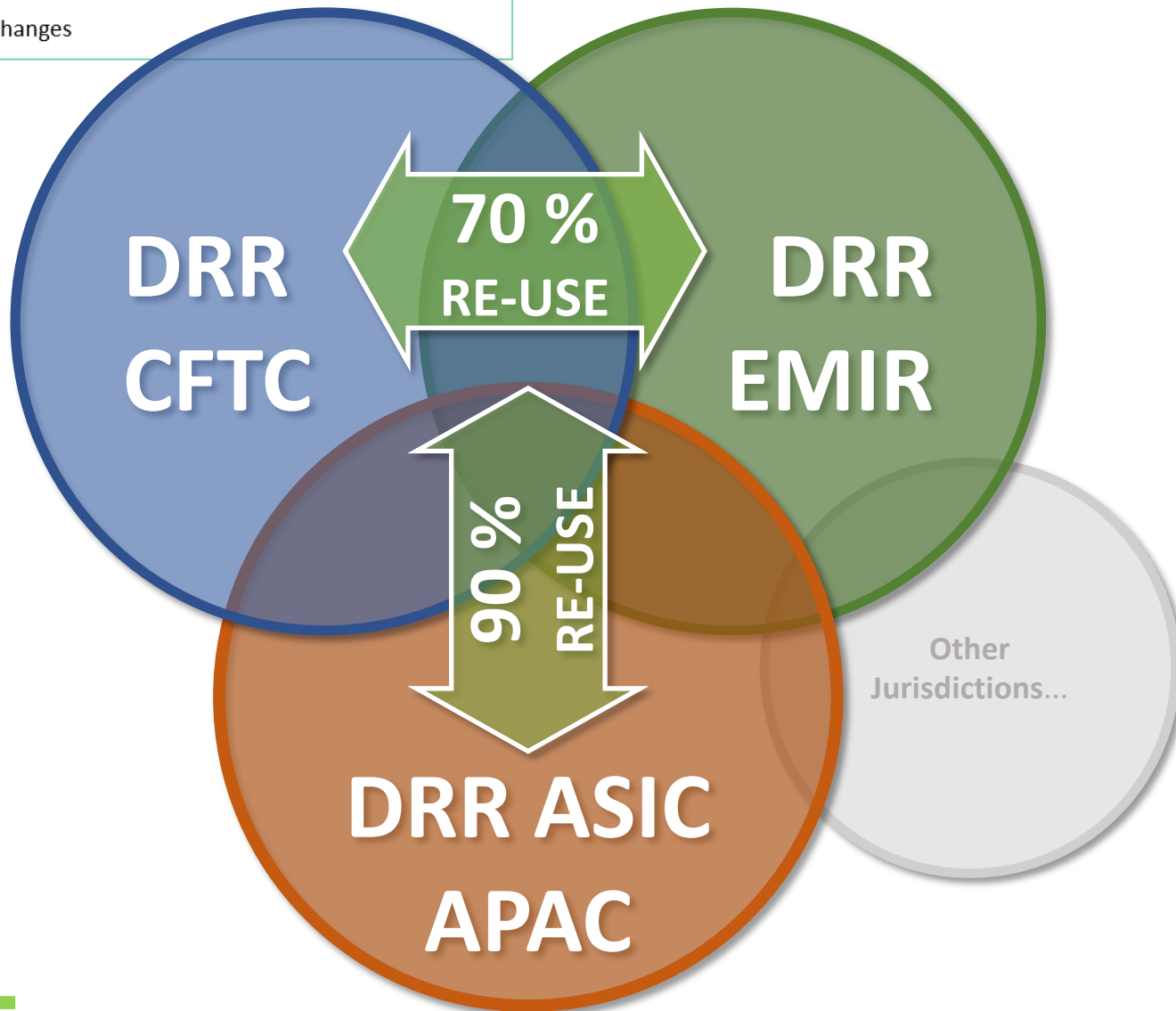**Let you define your core regulatory reporting ruleset only once**

- Thereafter, only incremental efforts are required to extend the DRR model to other jurisdictions and future changes to reporting rules
- And such updates will be delivered through centralized DRR model changes



Reg Project ROI

Compliance Costs

**Member Benefits**

DRR CFTC

70 % RE-USE

DRR EMIR

90 % RE-USE

DRR ASIC APAC

Other Jurisdictions...

# DRR Potential Implementation Scenarios

| Interpretation | Stand Alone Validation | Validation Adapter | SDR Provided Adapter |
|---|---|---|---|
| Firms will use DRR to **validate their interpretation** of the regulation and alignment with best practices. | Firms will use DRR to **validate their interpretation** of the regulation and alignment with best practices<br><br>Firms will use DRR to benchmark their IT production reporting systems output against the **DRR Test pack** | Firms will use DRR to **validate their interpretation** of the regulation and alignment with best practices<br><br>Firms will use DRR to benchmark their IT production reporting systems output against the **DRR Test pack**<br><br>Firm's IT will use DRR as a component of a **parallel implementation** to control and validate production output with SDR technical support. | Firms will use DRR to **validate their interpretation** of the regulation and best practice.<br><br>Firms will use DRR as a primary component of sending reporting data to the SDR via **DRR enabled automated production-based systems**<br><br>Firms will collaborate with the SDR to provide an almost **ready-to-go adapter** with some internal integration effort from their central IT dept. |

# Business Case for DRR

**Mutualize regulatory reporting compliance effort**

- Rule interpretations and compliance effort is spread across the industry

**Give you an unambiguous rule interpretation**

- Reflects RTS, ITS, guidance and industry best practices in an unambiguous way within the DRR model

**Open source and increases transparency**

- The open source DRR models and accompanying test data will all be accessible to regulators and market participants for reference, scenario analysis and testing

**Defines core regulatory reporting ruleset only once**

- Thereafter, only incremental efforts are required to extend the DRR model to other jurisdictions and future changes to reporting rules
- And such updates will be delivered through centralized DRR model changes

**Significant resource and cost savings**

- Through the mutualized effort, firms leveraging CDM-DRR will reap significant compliance, reporting and implementation project savings