EMIR - The right time for your annual check up!
EMIR is organized around **three main pillars**

1. **Risk Mitigations techniques (non cleared)**
   - EMIR introduced the following risk mitigation techniques to reduce the operational risk of bilateral (non-centrally cleared) OTC derivative transactions:
     - **Timely confirmation**: Counterparties must document the agreement of all the terms of a contract;
     - **Daily valuation**: Counterparties must evaluate their contracts on a daily basis using a market-to-market method. Where this method cannot be used, a mark-to-model approach must be applied and the method must be calibrated and validated;
     - **Portfolio reconciliation**: Counterparties must reconcile the key terms (e.g. valuation, asset class, underlying, etc.) of each trade with each counterparty to identify any discrepancies;
     - **Dispute resolution**: Counterparties must have agreed procedures and processes to identify, record and monitor disputes relating to contract recognition or valuation and exchange of collateral, and to resolve disputes in a timely manner; and
     - **Portfolio compression**: When counterparties have at any given time at least 500 trades outstanding between them, the counterparties must assess whether compression of the number of trades is appropriate (i.e. to achieve a risk exposure reduction).

2. **Reporting**
   - All OTC and ETD contracts should be reported to trade repositories the following day
   - Collateral and valuation reporting

3. **Clearing Obligations and Collateral Requirements**
   - Standardized derivative contracts (OTC derivatives) should be cleared through central counterparties in order to reduce the risk in the financial system

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Local financial services regulators are now starting to request the evidence showing that the appropriate measures have been taken to ensure compliance with the EMIR requirements.

- March 2013
- September 2013
- February 12th, 2014
- August 11th, 2014
- Q1 2016 (tbc)
EMIR Timeline

**TODAY**

2013

- Reporting of derivatives transactions OTC and ETD (12 Feb 2014)

2014

- Reporting collateral and exposure valuation 11 Aug 2014
- New Trade Repository validation rules (Level 2 validation)

2015

- Q3 2015 Enhanced reporting (collateral details per trade, IM VM posted + received)

**TOMORROW**

2016

- Q3-Q4 2016 Enhanced reporting application
- Dec 2015 Publication of voted RTS
- Apr-Jun 2016 CAT 1 clearing obligation effective
- Oct-Dec 2016 CAT 2 clearing obligation effective
- Jan-Mar 2017 CAT 3 clearing obligation effective
- Aug 2017 End of Art.89(1) transitional period (for pension schemes)

**EMIR Risk Mitigation Techniques**

1. Risk Mitigation Techniques for bilateral trades

**EMIR Reporting**

2. Reporting of derivatives transactions OTC and ETD (12 Feb 2014)
4. New Trade Repository validation rules (Level 2 validation)

**EMIR Clearing**

5. CCP Eligible (As from Q1 2014)
7. Dec 2015 Publication of voted RTS
Our proposed approach to assess whether you meet EMIR obligations

**Objectives**

1. Ensure that appropriate governance and documentation (e.g. legal agreements) are in place
2. Ensure that the Risk Mitigations Techniques (RMT) and Reporting processes are compliant from the EMIR requirement point of view
3. Define remediation plan for all the gaps identified in the previous phases classified per priority
4. Close all the gaps identified and reach assurance of EMIR compliance

**Activities**

1. Define roles and responsibilities for RMT and Trade Reporting activities
2. Review policies and procedures in place and identify gaps
3. Review legal agreements based on a checklist and identify missing documentation (SLA, ISDA, etc.)
4. Perform review of a 2-day-production data (Front to Back review) and identify gaps and issues
5. Review and validate gaps identified
6. Collect evidence (reconciliation statement, confirmation of trades, reporting of derivatives trades, etc.)

**Deliverables**

1. Detailed list of documentation requirements
2. List of gaps identified (incl. description) categorized per level of risk
3. List of gaps identified (incl. description) categorized per EMIR requirement and level of risk
4. List of recommendations
5. Implementation roadmap
6. Gaps closed

* The duration depends on a number and the complexity of gaps identified

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Our selected credentials and experience

Deloitte Luxembourg has a proven track record of helping firms to assess the impacts of EMIR on their business models and implement strategies, systems and controls to achieve compliance.

- **2015**
  - EMIR compliance review (RMT and reporting) for Japanese Investment Bank in London

- **2014**
  - EMIR
    - EMIR quality control review for Private Banks and Asset Managers
    - Luxembourg & Switzerland

- **2013-2014**
  - EMIR
    - Operational Impact assessment for Private Banks
    - Luxembourg & Switzerland

- **2012**
  - EMIR
    - Project Management and Subject Matter Expertise for major post-trade market player

- **2012**
  - Design and implementation of a collateral management platform for an international bank

- **2012**
  - EMIR
    - Target Operating Model for an international bank

- **2012**
  - EMIR
    - Operational and Financial Impact assessment Business Case for a major international insurance company

- **2012**
  - Adaption of the listed derivatives processes to Eurex requirements
    - Design and implementation of the Eurex CCP settlement process for a German bank
Your main contacts

Our practitioners have proven track records, experience and expertise in such similar projects. Moreover they bring with them practical hands on experience of having run management companies, and depositary banks through major change projects.

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