

ESMA highlights need for increased efforts on EMIR and SFTR data quality

The Report is the first review of data quality since the introduction of the EMIR and SFTR reporting regimes. It also reviews the quality of data reported by trade repositories and gives an overview of actions taken by both ESMA and the NCAs to improve data quality.

Anneli Tuominen, Interim Chair, said:

“The publication of the first ESMA Data Quality report provides transparency to stakeholders on ESMA’s and NCAs’ activities aimed at improving the quality of data reported by trade repositories. While progress has been made, the Report also identifies the need for increased efforts by ESMA, NCAs, trade repositories and reporting entities to ensure good quality data that facilitates the monitoring of systemic risk and financial stability.

“High quality data is necessary to enable the effective use of data. Stakeholders need to be aware of the progress made towards better data quality and this annual report provides them with an important tool to monitor improvements to data quality.”

EMIR Data Quality

Good progress has been made in recent years in improving the quality of EMIR data which allows it to be used for regulatory and supervisory purposes. ESMA and the NCAs have worked closely to achieve this and carried out numerous activities to improve data quality. However, the analysis of reported data indicates that there are a significant number of derivatives that are being reported late, not in line with the EMIR format and content rules, as well as derivatives that do not reconcile or are not reported altogether. The report shows that:

- i. based on early 2021 data, around 7% of daily submissions are being reported late by counterparties;
- ii. up to 11 million of open derivatives did not receive daily valuation updates;
- iii. according to ESMA estimates, there tend to be between 3,2 and 3,7 million of open non-reported derivatives on a given reference date during 2020; and
- iv. around 47% of open derivatives (totalling circa 20 million open derivatives) are unpaired.

The report also contains jurisdictional breakdowns of several data quality issues.

SFTR Data Quality

ESMA, in view of the fact that the SFTR reporting regime was only launched recently, presents a limited overview of SFTR data quality in terms of key data quality indicators, such as rejection rates, as well as an overview of the data reporting landscape. In view of the complexity and scale of SFTR reporting, it is important that all relevant stakeholders – counterparties, TRs, NCAs and ESMA – set aside sufficient resources to monitor data quality thoroughly.

Like EMIR, Brexit has also had a significant impact on the SFTR reporting landscape. There has been nearly 50% decline in the number of open SFTs immediately following Brexit. However, the number of open SFTs has had an increasing trend since.

ESMA will publish its Data Quality Report annually.