



Focus on EMIR

For professional clients only

The European Regulation on Over-the-Counter (OTC) derivative transactions, central counterparties and trade repositories also called EMIR (European Market Infrastructure Regulation) came into force on 16th August 2012.

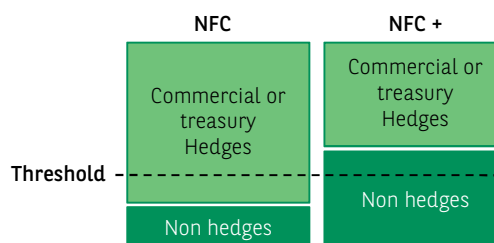
EMIR requirements

- Mandatory clearing of standardised OTC derivatives
- Bilateral risk management for non-cleared OTC derivatives
 - Timely confirmation for all trades, daily mark-to-market valuation, portfolio reconciliation, portfolio compression, dispute resolution, and mandatory collateralisation
- Central counterparties (CCPs) and clearing: new organisational and risk requirements
 - Clearing members will have to offer their clients a choice between at a minimum omnibus and an individual client account segregation
- Mandatory reporting to a Trade Repository
 - Daily reporting of transactions (information on the product, the counterpart, the valuation and the collateral) by both parties

Geographical and entity scope

- EMIR requirements apply to all entities authorised or established in the European Union
 - All obligations apply only to financial counterparties (FCs), and non financial counterparties above the clearing thresholds (NFC+s)
 - Non financial counterparties (NFCs) are only subject to risk mitigation techniques (excluding mandatory collateralisation and daily valuation) and reporting requirements
- The thresholds are computed excluding hedging transactions:

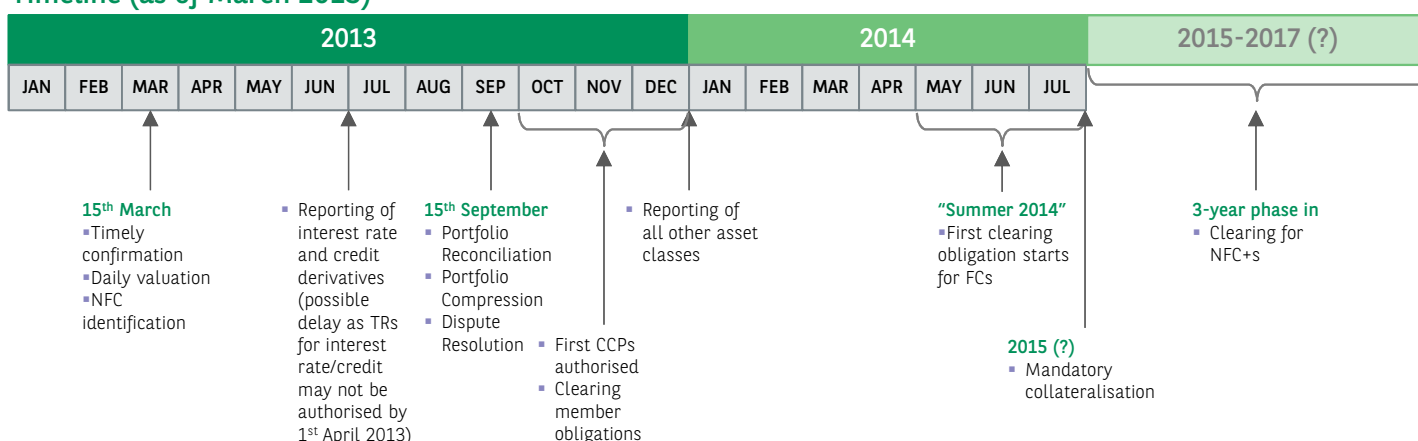
Asset class	Clearing threshold – gross notional
Credit Derivatives	€1bn
Equity Derivatives	€1bn
FX Derivatives	€3bn
Interest Rate Derivatives	€3bn
Commodity Derivatives and others	€3bn



Product scope

- EMIR applies to **listed and both cleared and non-cleared OTC derivative products**. Spot FX and spot commodity transactions are excluded.

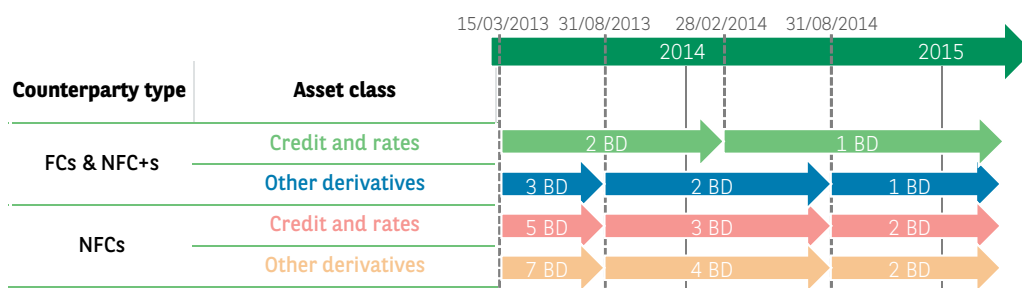
Timeline (as of March 2013)





Details on the first requirements which entered into force on March 15th, 2013

- **Timely confirmation:** obligation to have appropriate procedures and arrangements in place to measure, monitor and mitigate risks, including timely confirmation of new OTC derivatives transactions.
 - To comply with this new requirement, BNP Paribas is modifying its trade process along 4 axes :
 - Onboarding counterparties on electronic confirmation platforms, where available to them
 - Standardisation of the documentation (Master Confirmation Agreements)
 - Modification of the pre-trade process (e.g. short form confirmation replacing term sheet)
 - Negotiation of legal terms of long form confirmation before trading
 - Obligation for FCs to report the number of unconfirmed trades outstanding for more than 5 business days (BD)



- **Daily valuation:** FCs and NFC+s must value mark-to-market (or mark to model, if market conditions prevent marking-to-market) their non-cleared OTC derivative transactions on a daily basis
- **NFC identification:**
 - EU NFC+s have a regulatory obligation to notify their competent authority and ESMA when they exceed the relevant clearing threshold
 - Utilisation of notification forms/process set out, if any, by their competent authority
 - Each entity needs to be classified as FC, NFC or NFC+
 - For NFCs, in particular, through the adherence to the ISDA 2013 NFC Representation Protocol (parties can amend the terms of their ISDA Master agreements to reflect certain "know your counterparty" requirements). For more information, please click [here](#).

For any further information, please contact your sales representative.

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