

White Paper

OTC Derivative Reporting

Avoiding a Tactical Solution

MONOCLE

© Monocle Solutions 2025

Following the selection of Strate as South Africa's first Trade Repository in November 2024, the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) are moving rapidly to implement the country's G20 commitment to reform its over R45 trillion over-the-counter (OTC) derivatives market.^{1,2} The trade repository will aim to boost market transparency, particularly regarding systemic risk—a significant weakness exposed during the Global Financial Crisis of 2008/2009.

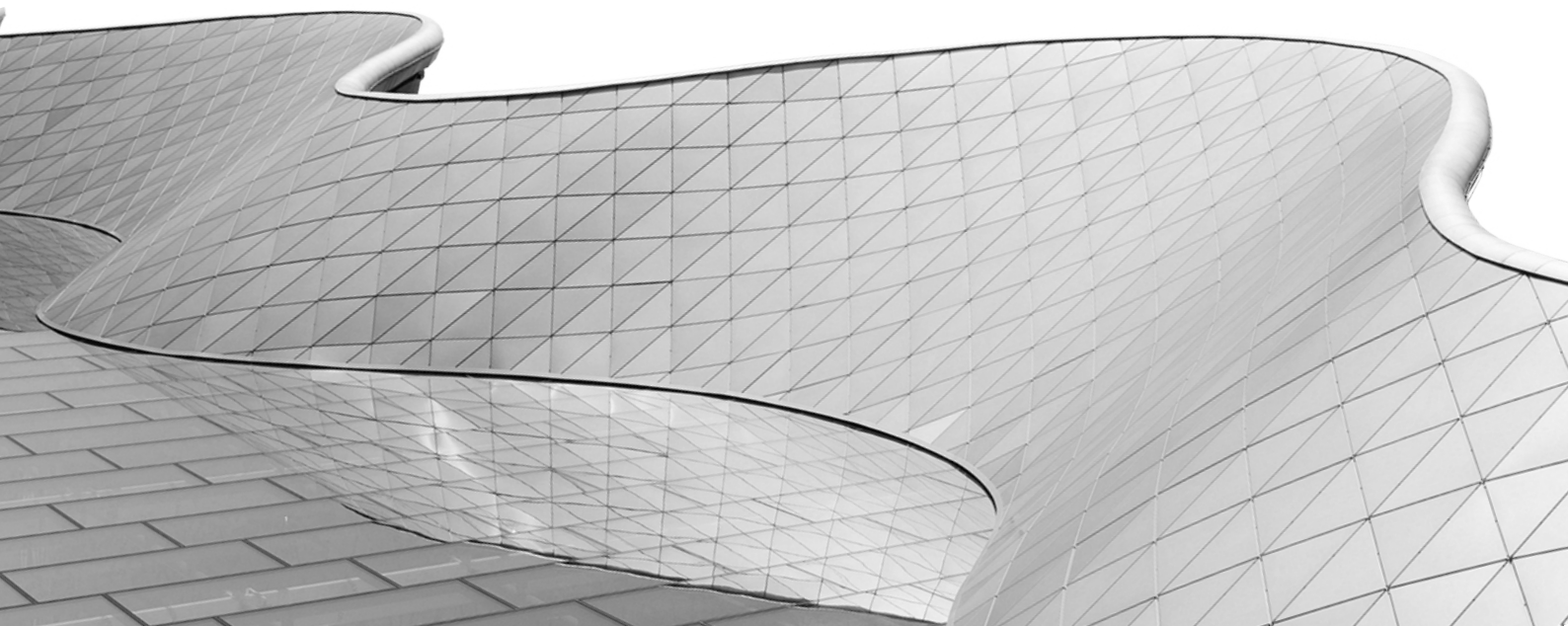
By as early as 1 March 2027, OTC derivative providers (ODPs) will be mandated to report 169 different data elements for each of their derivative transactions, across various asset types and instruments. The final data requirements are still being finalised. Importantly, Strate's trade repository implementation is largely aligned with the principles introduced under Europe's 2014 European Market Infrastructure Regulation (EMIR) and its 2024 *Regulatory Fitness and Performance Programme (EMIR Refit)*.

Following the release of Strate's latest business requirements specification³ in September 2025, it is imperative that all entities responsible for reporting—market participants who originate, issue, sell or make a market in OTC derivatives as a regular business activity—take a proactive approach to their reporting obligations. This includes understanding the reporting requirements, assessing the trade repository data requirements, reviewing existing reporting capabilities and gaps, and preparing Global Markets teams to address the operational challenges associated with daily OTC derivative transaction reporting.

While the latest Strate BRS finalises essential requirements, there are still several outstanding items:

- ▶ *Reporting of historical (open) OTC derivative transactions*
- ▶ *Full implementation timelines (to be determined by the PA & FSCA)*
- ▶ *Onboarding pack*
- ▶ *Billing/fee model*

“Firms must be proactive in understanding the challenges associated with the **data requirements, their **data architecture** and the various day-to-day **operational impacts** daily OTC derivative reporting will entail. ”**



Data Challenges

The *Financial Markets Act (FMA) Conduct Standard 3 of 2018* outlines the reporting obligations for OTC derivative transactions in South Africa and currently prescribes 100 required data fields. These were determined to be unsuitable for effective reporting and subsequently the trade repository requirements have been expanded by Strate to include 169 data fields aligned to Europe's EMIR Refit. Given the number of fields required and the breadth of asset classes and instruments covered under the reporting requirements, **the necessary data for most financial institutions is likely to be fragmented across various market systems, processes, and functions.**

Data availability presents a further challenge for ODPs, as some required fields are not typically captured by financial institutions. One such field is the mandatory Legal Entity Identifier (LEI)—essential for uniquely identifying legal entities in local and international financial transactions—which is often not captured and stored by South African ODPs. Monocle has observed that up to 80% of LEI data is missing or outdated at large South African banks. In this case, firms will need to begin engaging with clients to source and capture this information, and other necessary information.

Banks who have **effectively embedded their BCBS 239 processes** related to data lineage and ownership across their Global Markets data landscape should find it easier in assessing and sourcing these data requirements, as well as identifying the relevant stakeholders who will be responsible for their data as part of an OTC derivative reporting solution.

Firms should also take into account the requirement to report historical OTC derivative transactions. Although this remains unresolved by the trade repository working group.

Data Architecture

Data fragmentation will require many ODPs to consider the **design and implementation of a reporting solution** to facilitate typical data management tasks, including aggregation, transformation, and reconciliation. However, reporting to the Strate trade repository requires several capabilities for all ODPs, including:

- ▶ ISO 20022 XML format submission
- ▶ T+1 (from transaction execution) reporting
- ▶ Ongoing lifecycle reporting per transaction
- ▶ Automated or manual report submission
- ▶ Daily valuation and collateral information reporting
- ▶ Completeness, accuracy, and timeliness obligations
- ▶ Exception handling

Prescribed Data Categories:

- ▶ *Counterparty information*
- ▶ *Contract details*
- ▶ *Transaction details*
- ▶ *Clearing details*
- ▶ *Specific asset type information*
- ▶ *Event data*
- ▶ *Valuation data*

Prescribed Asset Types:

- ▶ *Commodity derivatives*
- ▶ *Credit derivatives*
- ▶ *Foreign exchange derivatives*
- ▶ *Equity derivatives*
- ▶ *Interest rate derivatives*

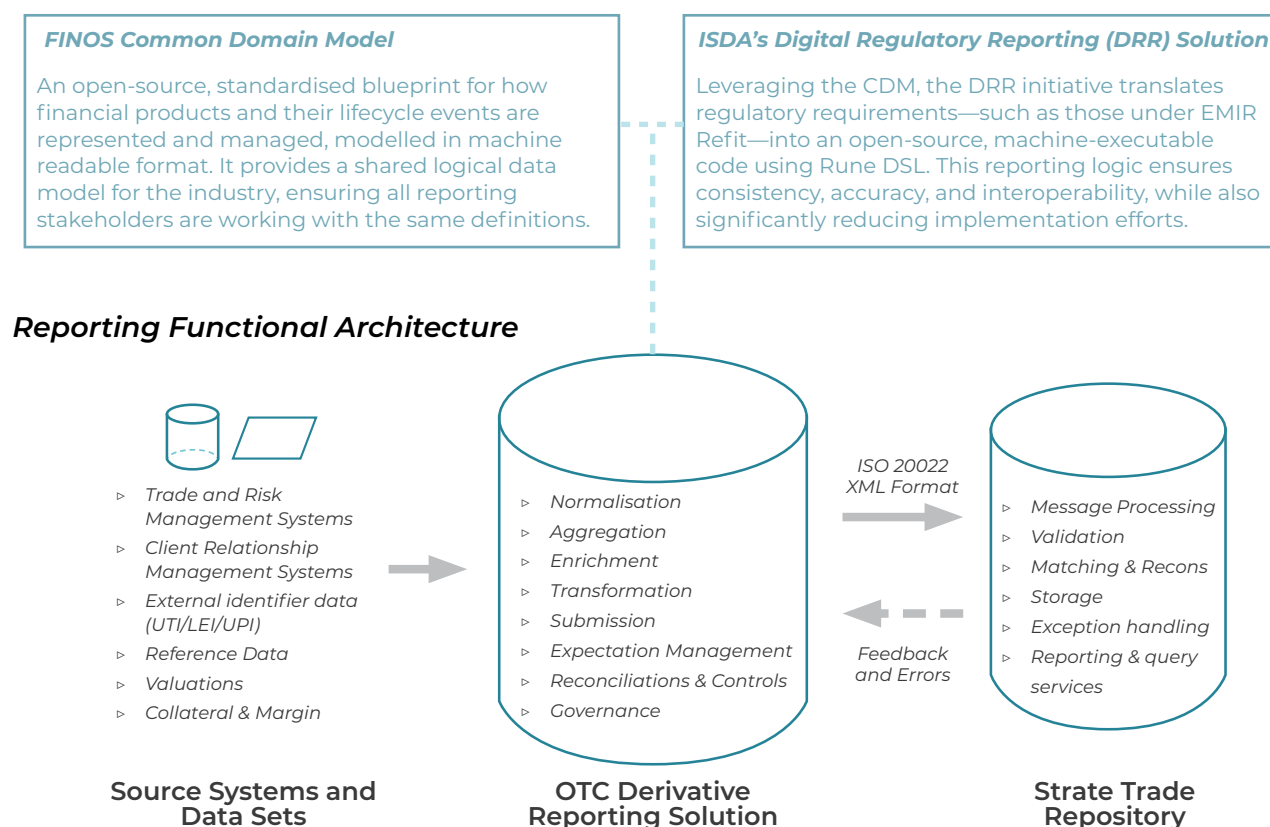
Prescribed Contract Types:

- ▶ *Contracts for Difference*
- ▶ *Forward Rate Agreements*
- ▶ *Futures*
- ▶ *Forwards*
- ▶ *Options*
- ▶ *Spread Bets*
- ▶ *Swaps*
- ▶ *Swaptions*
- ▶ *Other*

As part of an initial assessment to understand the impact of Strate's OTC derivative trade repository requirements, firms should identify their current OTC derivative reporting capabilities, such as the recent *daily initial margin reporting requirement of Joint Standard 2* and any *EMIR Refit reporting solutions*. They should also determine the scope of the various datasets required, which could be stored across multiple systems and data marts, including trade and risk management systems, client relationship management systems, risk engines, collateral systems, and various reference and third-party data sources.

To avoid developing a tactical reporting solution burdened by manual adjustments, weak controls, and inadequate oversight—ultimately a drain on time and effort of specialised stakeholders—ODPs should push towards designing and implementing a structured, automated reporting solution. Additionally, solution programmes should endeavor to establish a preventive control and governance framework that considers verification checks, data lineage, data ownership processes as well as escalation and change management processes.

Critically, the South African reporting requirements are set to be distributed as machine executable code through ISDA's Digital Regulatory Reporting solution leveraging the FINOS Common Domain Model. This will allow reporting entities to deploy a standardised, gold-source reporting solution that caters for OTC derivative data modelling, rule set and trade events/lifecycle interpretation as well as ISO 20022 mapping and reporting. This initiative will be invaluable to firms that decide to develop an in-house reporting solution.



Operational Complexity

While these reporting requirements are novel for South African stakeholders, Europe's 2014 and 2024 implementation of EMIR and EMIR Refit offers insights into the complexity and challenges related to OTC derivative reporting.

Key alignments with EMIR REFIT⁵

The South African implementation maintains alignment with EMIR REFIT in the following key areas:

- ▶ *Message structures: Adoption of the same ISO 20022 message formats*
- ▶ *Lifecycle reporting: Implementation of the same action types (New, Modify, Correct, etc.) and event types (Trade, Clearing, Exercise, etc.)*
- ▶ *Field definitions: Consistent field definitions and formats*
- ▶ *Validation approach: Similar technical and business validation methodology*
- ▶ *Reconciliation process: Adoption of the same reconciliation principles and tolerances*

Given the South African implementation is heavily aligned with European standards, it would be prudent to assess the successes and challenges faced in the past. **Several challenges were raised post the go-live deadline for both EMIR and EMIR Refit including:**

- ▶ **ISO 20022 XML errors:** Nearly a quarter of rejected messages in the first few weeks of EU EMIR Refit were due to technical errors related to schema errors and misalignment to the required messaging standard.⁴ Firms must consider their existing ISO 20022 XML reporting capabilities and consider the need for an XML converter tool.
- ▶ **Unique identifiers:** Both the Unique Transaction Identifier (UTI) and Legal Entity Identifier are critical data elements as part of the trade repository reporting. UTI generation, in adherence with ISO 23897:2020, is essential for transaction matching but introduces complexity regarding which counterparty is responsible for generation and then distribution. Strate will provide an optional UTI generation service.
- ▶ **Lifecycle event complexity:** Firms are required to report the lifecycle of each transaction, from creation to a change in its state, or its ongoing status (valuation or margin). Europe's EMIR Refit was initially hampered by a higher volume of rejected lifecycle status issues. The logic and determination of these events will be addressed by the ISDA DRR solution.

With the go-live deadline fast approaching and reporting requirements becoming clearer, firms must begin planning their implementation efforts. This is particularly important considering the challenges around sourcing data, establishing a structured reporting solution and tackling identified areas of complexity.

How Monocle Can Assist

As “markets people”, Monocle has been extensively involved in risk, trading, operations, compliance, and pre- and post-trade functions, while bringing a technology-agnostic approach to designing and delivering client-aligned solutions in Global Markets.

To assist clients in meeting the reporting requirements of Conduct Standard 3 and the business requirements specified by Strate, Monocle has developed both an **Initial Assessment and Gap Questionnaire**, as well as a **comprehensive Data Assessment** for all 169 fields.

These tools, alongside the extensive expertise of Monocle's markets and trading consultants, allow our reporting obligated clients to quickly understand their OTC derivative data and reporting ecosystem and then formulate an implementation programme. With experience across strategic advisory, business and systems analysis, programme management, data management, data modelling and engineering, and hands-on solution delivery, Monocle can assist end-to-end across the entire OTC derivative reporting implementation programmes.



Johannesburg

8th Floor, The MARC Tower 1
129 Rivonia Road, Sandton,
Johannesburg, 2196

info.za@monoclesolutions.com

+27 (0) 11 263 5600

Cape Town

301 New Cumberland
163 Beach Rd Mouille Point
Cape Town, 8005

info.za@monoclesolutions.com

+27 (0) 82 952 1415

London

1 Royal Exchange
EC3V 3DG
London, England

info.uk@monoclesolutions.com

+44 (0) 2030 022 514

Amsterdam

Office 136, Gustav Mahlerplein 2,
1082 MA, Amsterdam,
Netherlands

info.nl@monoclesolutions.com

+31 (0) 2 02 256 182



www.monoclesolutions.com

¹ Financial Stability Board, 2024

² SARB & FSCA, 2020

³ Strate, 2025

⁴ LSEG, 2024

⁵ Strate, 2025