

Information about EMIR, i.e. European Union regulation on OTC derivatives

EMIR (European Market Infrastructure Regulation) is a Regulation No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives transaction. This regulation sets common rules for OTC derivatives transactions, risk mitigation techniques related to those transactions and for reporting of transactions.

Requirements of EMIR apply to OTC derivatives transactions, among them also to some of the transactions that can be concluded under framework agreements for financial and securities transactions – including FX derivatives (forwards, swaps). EMIR requirements apply both to financial and non-financial counterparties. Requirements of EMIR do not apply to private individuals and certain government institutions.

Main requirements of EMIR:

- Obligation to report derivatives transactions to a Trade Repository;
- Obligation to centrally clear transactions with certain OTC derivatives through a Central Counterparty (CCP);
- Risk mitigation techniques for derivatives transactions.

Additional information: <http://www.esma.europa.eu/page/post-trading>.

All derivative trades must be reported to trade repositories from 12 February 2014. The reporting obligation applies to all parties that are registered in an EU/EEA country (except private persons, central banks and some public bodies).

By signing the framework agreement for financial transactions, the client authorizes Versobank to report derivatives transactions concluded between Versobank and the client to a trade repository also on behalf of the client. In transaction reports the counterparties to the transaction must be identified by Legal Entity Identifier (LEI), which is a new identifier developed globally to identify counterparties to financial transactions.

If the client has not obtained a LEI (or equivalent identifier), it might not be possible for Versobank to report transactions on behalf of the client and therefore the client might need to report the transactions themselves. Versobank can also refuse to conclude new derivatives transactions with clients who do not have a required identifier.

Full list of organizations issuing LEIs are listed on webpage www.lei.org. Costs related to obtaining and maintaining the LEI (or equivalent identifier) have to be borne by the client. Client can obtain the LEI number itself or can sign agreement with Versobank for the LEI number to be acquired by Versobank on behalf of the customer.