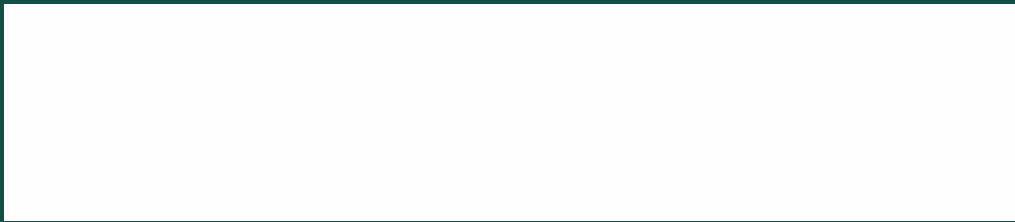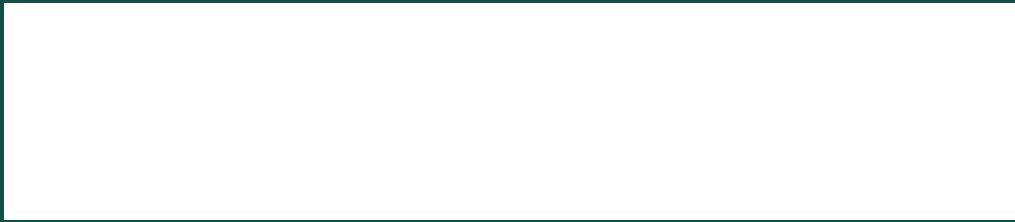# WATSON WHEATLEY

EMIR RECONCILIATION OVERVIEW

A brief Q&A with Watson Wheatley
CTO Rob Wheatley on the challenges
of EMIR reconciliation

EMIR RECONCILIATION Q&A

What issues do operations teams usually face when building EMIR reconciliations?

As a respected client often says to me, "*Rob, you're going to need to wrap a cold towel around your head for this one*"!

In short, EMIR requires funds to reconcile their portfolios regularly (depending on volumes) and ensure trade economics are reported correctly to a transaction repository. Most have delegated the reporting process to their prime brokers but unfortunately one cannot delegate responsibility for actually reconciling the data. If you've decided not to try on the basis of plausible deniability or perhaps because only Merrill Lynch has been fined so far (to the tune of £34.5 million in 2017), maybe it's time to look again at what offerings are out there.

The main pain-points in the process are:

- *Getting hold of EMIR data from DTCC's GTR*

- *The datasets are large and complex*

- *Security identification is tricky, especially with OTC*

- *Locating missing trades requires additional reports to be requested*

- *Password reset every 6 months via Putty*

- *Missing audit trail due to lack of cancel/amends*

- *Frequency of reconciliation*

What problem is your EMIR reconciliation as a service addressing and what opportunities does this provide for users?

Most funds we speak to realize this is a gap they need addressing and opt to reconcile at a position/market value level only. It's a start but fails to ensure that the relevant economics are being verified which is the whole point of the regulation. It is, therefore, necessary to pull in the transactional reports to ensure the accuracy of (usually) you're delegated reporter.

We make this straightforward with our extensive capabilities in data normalisation and visualisation and a direct connection with DTCC for sourcing files.

We also manage the generations of synthetic reversals to ensure that from an account perspective, the change in position is justified by the underlying activity.

What issues are you seeing across your existing client base that uses this reconciliation?

Some prime brokers appear to be reporting positions at the activity level; so if you've say increased your position in a security, the prime broker will keep on reporting the original trade but with position quantity amended to reflect the increase. Additionally, the prices/execution timestamps will all be of the original transaction which makes it impossible to match with your PMS. Some TR's also don't provide cancels/reversals so if an amendment is made the audit trail will be incomplete.

Can you give an overview of the new offering from Watson Wheatley?

The service is a cloud-based solution to eliminate the pain of IT. We source your DTCC data on your behalf and run it through our templates and match engine. You provide your PMS extracts over SFTP. The source data gets imported into iRecs each day, the match engine triggers and the discrepancies are displayed. We provide both position and transaction-level reconciliations that are integrated so that data integrity issues (e.g. missing reversals) can be properly identified and accounted for.

What else is Watson Wheatley working on?

We recently released iRecsWeb which has been well received by our clients and made working from home during the lockdown simpler. We also released our Checklist tool for tracking recurring tasks and lifecycle events. There have also been major upgrades to our dashboards and reporting capabilities, re-architecting of the database to improve performance, and a host of other improvements to our suite of applications.

For more information, please visit www.watsonwheatley.com

About Rob Wheatley

Rob is CTO of reconciliation specialist Watson Wheatley. He has over 14 years experience in financial services, most recently as a consultant for Citi in middle office, trading technology and investor services. Previously he was at RBC Capital Markets, Gottex Fund Management and Aberdeen Asset Management. Rob is also the founder of Airwave Technologies and is a keen snowboarder and snowboarding instructor.

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