Abstract

Avantage Reply evaluated the impact of EMIR and MiFID 2/MiFIR, and identified the ‘touching points’ between CRD IV, EMIR and MiFID, focussing on the front to back infrastructure implications as well as the risk and reporting implications.

Avantage Reply delivered solutions that enabled the businesses to continue to maintain their operating model and service offerings, providing recommendations on how the potential impact of the regulations could be minimised. We further assessed the merits of alternatives or amendments to the existing businesses and/or operating models.

 Implementation of EMIR and CRD IV
Counterparty Credit Risk Capital Requirements

THE CLIENT
The client is a Fed-16 Institution.

THE CHALLENGE
The client was seeking to implement the Counterparty Credit Risk (“CCR”) Internal Model Method (“IMM”) under CRD IV and the risk management requirements under EMIR for CCP-cleared and non-CCP cleared interest rate, foreign currency and credit derivatives.

The client asked Avantage Reply to evaluate the impact of EMIR and MiFID 2/MiFIR, including the ‘touching points’ between CRD IV, EMIR and MiFID, focussing on the front to back infrastructure implications as well as the risk and reporting implications

APPROACH AND SOLUTION
The high-level approach that Avantage Reply took to the Engagement was to:

- In collaboration with the clients established CRD IV programme and the Dodd-Frank/EMIR programme we determined the relevant change management protocols between the two programmes (and the soon-to-be launched MiFID/R programme).
- Conduct an impact assessment of the new regulations (EMIR, MiFID/R 2, etc.) along with an assessment of the implications for the continued viability of the existing product offerings and an assessment of the resources required to ensure continued conformance with the regulatory requirements.
- Working with the businesses and the support functions, we provided recommendations on how the potential implications of the regulations could be minimised and assessed the merits of alternatives or amendments to the existing businesses and/or operating models.

RESULTS AND BENEFITS

- Identified the touching points between EMIR and CRD IV (collateral dispute management, initial and variation margin management, CCPs, etc.).
- Evaluated the business, financial and operational implications of prospective regulation including Dodd-Frank (Title VII) and EMIR CRD IV (incl. liquidity and counterparty credit risk); and MiFID/R 2.
Provided solutions that enabled the businesses to continue to maintain their operating model and service offerings. Achieved an orderly handover of the department into business as usual.