

## Draft Terms of Reference for the Mandatory Electronic Reporting Pilot.

### **TERMINOLOGY:**

**'Pilot Participant'** – A firm that has agreed to help the FSA pilot the Mandatory Electronic Reporting (MER) system and associated support systems and procedures.

**'Pilot Period'** – The period of time when the MER pilot system and procedures will be available and Pilot Participants will test these systems and procedures.

**'Pilot Activities'** – A generic term used to describe activities related to the preparation for and conclusion of the Pilot including training and post *Pilot Period* feedback.

**'MER User'** – A generic term used to describe a regulated firm that will be required to use the MER system once it has gone live (from July 2008 onwards).

**Submission Methods:** Appendix 1 provides an overview of each of the proposed submission methods for the MER system.

## **1. Objectives of the Mandatory Electronic Reporting (MER) Pilot**

- 1.1. To confirm that the MER system and front office operational support systems and procedures (provided by FSA for regulated firms) function effectively and efficiently;
- 1.2. To confirm that the FSA's MER support systems and procedures function effectively and efficiently;
- 1.3. To identify common operational and systemic processing issues that *Pilot Participants* experience and, where appropriate, publish guidance to mitigate similar occurrences of these issues when the MER system enters live operation; and
- 1.4. To use the feedback from the *Pilot Period* and *Pilot Activities* to finalise the operation of the MER system.

## **2. Key Information**

- 2.1. *Pilot Participants* will be expected to commit approximately 3 man days of effort during the *Pilot Period*, plus additional time for training (approximately 1 hour) and two briefing sessions (approximately 2 hours each) to be held at the FSA building in Canary Wharf, London;
- 2.2. *Pilot Activities* are expected to commence in July 2007 (see Table 2 below) ;
- 2.3. The *Pilot Period* is scheduled to take place during April 2008 and will last for four weeks;
- 2.4. The Pilot will involve up to 50 *Pilot Participants*. Participants will be representative of the *MER User* population for Phase 1 of the system delivery which will cover deposit taking institutions and certain investment firms;

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- 2.5. The FSA will draw up a total list of 70 firms, 50 of which will be selected as *Pilot Participants* with 20 firms acting as reserve *Pilot Participants*; and
- 2.6. All data<sup>1</sup> submitted by *Pilot Participants* during the *Pilot Period* will be deleted from the FSA's data store after the conclusion of the Pilot.

### **3. Tasks**

Key tasks for *Pilot Participants* will be as follows:

- 3.1. Attend an initial Pilot briefing session in Q1 2008 in Canary Wharf, London;
- 3.2. Confirm readiness for *Pilot Period* by completing a short readiness assessment questionnaire;
- 3.3. Complete MER system training before the *Pilot Period*;
- 3.4. Use the MER system throughout the *Pilot Period*, testing user management and data processing functionality (e.g. data entry, data validation, data submission etc) and associated user support facilities;
- 3.5. Notify FSA of any issues relating to MER system and processes *during Pilot Period* via a dedicated help desk service; and
- 3.6. Attend a feedback session (the *Pilot Period feedback session*) after the *Pilot Period* in Canary Wharf, London to discuss overall experience of using the MER systems and processes.

### **4. Principles**

The key principles of the Pilot are as follows:

- 4.1. The Pilot is a test in every respect;
- 4.2. Support services and materials will be the same services and materials proposed for roll-out. The level of service offered will be proportionate to the level of service proposed for when MER enters live operation;
- 4.3. *Pilot Participants* will be required to prepare data for submission during the *Pilot Period*. *Pilot Participants* will be asked to submit fabricated data;
- 4.4. In the main, test activities undertaken during the *Pilot Period* will not include any manufactured events (e.g. submission of files designed to fail) as these tests will have occurred in the FSA's user acceptance testing. Instead, *Pilot Participants* will use the system to submit as they would in the live environment. However, there may be a small number of planned events agreed with certain *Pilot Participants*, e.g. resubmission of data or requests for specific data sets during the *Pilot Period*;
- 4.5. Participation in the Pilot does not affect the *Pilot Participant's* obligation to report its regulatory return data using Firms Online or other legacy reporting methods

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<sup>1</sup> User registration data (permissions, user accounts etc) will also be deleted from the MER system.

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### **5. Training**

- 5.1. *Pilot Participants* will be given access to the MER computer-based training (CBT) system before the *Pilot Period* commences. *Pilot Participants* will be expected to complete the full training package (expected to take an hour) before the *Pilot Period* commences. *Pilot Participants* will also receive copies of Quick Reference Guides to use during the *Pilot Period*;
- 5.2. The online MER training and Quick Reference Guide materials will be final versions of the training materials provided and will reflect the level of training support that firms will receive once MER enters live operation; and
- 5.3. During the *Pilot Period feedback session*, *Pilot Participants* will be asked to provide feedback on the quality of the training materials made available for the *Pilot Period*.

### **6. Description of System Functionality to be Piloted**

- 6.1. User Management: This will involve setting up Pilot system users and allocating system permissions to these users;
- 6.2. Trial and Main environments: The MER system will provide an area where *MER Users* will be able to test all aspects of system functionality without the risk of accidentally submitting data to the FSA. This trial area will allow *MER Users* to train their staff and test their own systems and will be an exact copy of the main area with the exception of the ability to submit live data to the FSA;
- 6.3. XML Verification: *MER Users* who elect to use direct communications will be required to verify that they are able to create well-formed XML. This will involve a short process where an XML message sample is submitted to the FSA. Once the XML message is received the *MER User* will be permitted to submit XML files directly to the FSA. This process will be tested within the Pilot;
- 6.4. Schedule Confirmation: MER will provide *MER Users* with a complete list of their reporting requirements, specifically tailored to the regulated business that the individual *MER User* does. During the *Pilot Period*, *Pilot Participants* will be asked to verify that their schedule is correct. If errors are detected, *Pilot Participants* will contact the dedicated help desk. FSA staff will then initiate a manual over-ride process to address the identified issue; and
- 6.5. Data Submission: MER expects to offer four separate submission methods to select from and FSA would like to test all of these methods during the *Pilot Period*. *MER Users* will be required to submit data using one or more submission methods. Certain *Pilot Participants* will also be asked to resubmit data in order to test resubmission functionality and processes.

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**7. Support**

- 7.1. During the *Pilot Period*, FSA will provide a dedicated help desk service for *Pilot Participants*;
- 7.2. Help desk services will be provided between 10:00 and 16:00 hours each working day during the *Pilot Period*; and
- 7.3. Further information on the service level agreements will be provided during the briefing session scheduled to take place in Quarter 1, 2008.

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### 8. Pilot Participants

The *Pilot Participant* population will be selected on the basis of the following criteria:

Table 1: Pilot Participant Selection Criteria

Ref.	Requirement
	<b>Submission Method</b>
1	Firm submits via Direct Communication method: Own system
2	Firm submits via Direct Communication method: Using Independent Software Vendor Product
3	Firm submits via Web Upload
4	Firm submits Online
5	Firm submits Offline
6	MER exempt-firm submitting via paper
	<b>Scheduling Requirements</b>
7	Firm with monthly regulatory reporting obligations where return would be due during Pilot Period
8	Firm with quarterly regulatory reporting obligations where return would be due during Pilot Period
9	Firm with half-yearly regulatory reporting obligations where return would be due during Pilot Period
	<b>Regulated Business</b>
10	Firm undertaking 3 or more Regulated Activities
11	Firm undertaking 1 or 2 Regulated Activities
	There will be a limited number of specific scenarios that we would like a small number of <i>Pilot Participants</i> to test for us on the basis that we may not be able to fulfil all of the criteria outlined above. These will be agreed with Pilot Participants on an individual firm basis.
	<b><i>All firms will be required to test security and user set-up procedures</i></b>

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### 9. Communications

- 9.1. During the *Pilot Period*, all communications will be managed by a dedicated help desk managed by FSA staff. A line referral process will be in place to handle complex queries but the first point of call throughout the pilot will always be the dedicated help desk;
- 9.2. All other communications will be managed by the FSA *Pilot* team;
- 9.3. The FSA will maintain an issues log throughout the *Pilot Period*. This will form the basis of discussions for the *Pilot Period feedback session*;
- 9.4. *Pilot Participants* will be asked to attend a *Pilot Period feedback session* at the FSA, one week after the end of the *Pilot Period*;
- 9.5. The FSA will use the outputs from the help desk issues log and feedback sessions to prepare industry guidance on the MER system; and
- 9.6. The exact time and location of the feedback session will be confirmed closer to the time in 2008.

### 10. Timeline

- 10.1. Table 2 gives an indication of the first key milestones for the *Pilot*. The FSA *Pilot* team will provide regular communication briefs to *Pilot Participants* to keep them informed of timetable developments at regular intervals.

Date	Event
End July 2007	Nominations for IRR Participants received
Mid August 2007	FSA confirm suitability of nominees with FSA supervisors
End August 2007	FSA confirm Pilot Participants
Mid November 2007	Pilot Update Newsletter Issued to Pilot Participants
Mid February 2008	Pilot Briefing Session, Canary Wharf, London
March 2008	Pilot Participant Readiness Assessment
April 2008	Pilot training available and Pilot Period
May 2008	Pilot Feedback session

Table 2: Draft Pilot timeline

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**Appendix 1: Submission methods available to firms**

Submission Method	Description
Online	<p>The <i>MER User</i> will log onto the FSA IRR website and manually key in the data. They will also be able to use the online system to review results from other submission methods.</p>
Offline	<p>The <i>MER User</i> will access a desktop application or downloaded form provided by the FSA and will be able to complete the data for upload to the FSA website at a later date.</p> <p>Our investigations into the technical and cost feasibility of supporting this submission method are due to be concluded in the near future. <i>Pilot Participants</i> will be updated on this as and when the decision is finalised.</p>
Web upload	<p>The <i>MER User</i> will produce an XML message compliant with schema definitions published by the FSA. A <i>MER User</i> choosing this solution will be able to set up routines and software to automatically extract the necessary data from its business and operational systems into an XML message. This file will then be transferred to the FSA using a secure upload facility provided within MER.</p> <p>Independent Software Vendors (ISVs) may also provide software products to support this functionality.</p>
Direct communication	<p>The <i>MER User</i> will produce an XML message compliant with schema definitions published by the FSA. This document will be delivered to the FSA via Web Services. A <i>MER User</i> choosing this solution will be able to set up routines and software to automatically extract the necessary data from its business and operational systems and schedule it to be sent to the FSA automatically, thus removing the need for manual input of the data. This solution has also been referred to as 'system to system' or 'B2B'.</p> <p>Independent Software Vendors (ISVs) may also provide software products to support this functionality.</p>