

The Association of Corporate Treasurers

Comments in response to

***Harmonisation of key OTC derivatives data
elements (other than UTI and UPI) – first batch***

**Committee on Payments and Market Infrastructures
Board of the International Organization of Securities
Commissions**

Bank for International Settlements

September 2015

October 2015

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. It is established by Royal Charter in the public interest. Further information is provided at the back of these comments and on our website www.treasurers.org.

Contact details and a link to our approach regarding policy submissions can also be found at the end of these comments.

We canvas the opinion of our members through seminars and conferences, our monthly e-newsletter to members and others, *The Treasurer magazine*, topic-specific working groups and our Policy and Technical Committee.

General

The ACT welcomes the opportunity to comment on this matter.

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Response to Consultative Paper

We reiterate earlier calls through the European Association of Corporate Treasurers' response to the Financial Stability Board's consultation on the Feasibility study on approaches to aggregate OTC derivatives data dated 28 February 2014:

"Independently of the mechanisms and data formats chosen for aggregation it should be ensured that the reporting formats for market participants remain stable in order to avoid any additional implementation efforts resulting from potential changes. The impact of such changes on business processes and systems is often underestimated by decision-makers."

Our response to this report is restricted to a response in regard to all the fields considered by this consultative report. We have not provided field specific responses unless used as illustrations of problems.

The ACT represents members employed in corporate treasury activities by predominantly UK based corporates. Members and students span 94 countries.

The UK has adopted the European Markets Infrastructure Regulation (EMIR) as implemented by the European Securities and Markets Authority (ESMA). EMIR requires dual sided reporting of all "Over the Counter" (OTC) derivative transactions to Trade Repositories (TRs). The TRs arrange for both sides of the dual reported transaction to be matched: known as "pairing".

There are several TRs available to transaction reporters and there is no requirement for any transaction to be reported to the same TR. Pairing relies on a reconciliation process between TRs following data validation at point of entry to a TR.

Considerable resource continues to be allocated across Non-financial Counterparties (NFCs) and Financial Counterparties (FCs) to reconcile data entered to identify transactions. Whilst errors and misinterpretation do occur, reasons for validation and pairing failure are often due to:

- inconsistent field specifications between TRs; and
- inconsistent specifications of fields by transaction reporters.

This is mostly due to field specification options available to the TRs, and otherwise to lack of detail in field specifications. Examples of each are:

- Effective Date (3.1.1 in the consultative document) which you propose has alternative versions with or without the timestamp.



- Value fields which can be entered with minus signs although the direction of the transaction flow is decided by other fields.

Although not part of this consultative document, the use of the UTI field provides an example of the latter: data can be either left or right justified, and unused character spaces left empty, or packed with differing characters. The characters "0" and "Z" are both in use as packing characters by different FCs.

We do not encourage fundamental change to field structure now that systems have been developed to create and enter the report data. Also we believe it should be ensured that the reporting formats for market participants remain stable in order to avoid any additional implementation efforts resulting from potential changes. The impact of such changes on business processes and systems is often underestimated by decision-makers.

We strongly recommend that any changes which are considered sufficiently important to be made should follow the majority accepted practice, where majority is by reported transactions, and should seek to avoid ambiguity by offering no alternatives and by increasing the degree of exactitude



**LEADING TREASURY
PROFESSIONALS**

The Association of Corporate Treasurers

The Association of Corporate Treasurers (ACT) is the leading professional body for international treasury, operating in the public interest under Royal Charter. We provide the widest scope of benchmark qualifications for those working in treasury, risk and corporate finance. Membership is by examination. We define standards, promote best practice and support continuing professional development. We are the professional voice of corporate treasury, representing our members.

Our 4,700 members work widely in companies of all sizes through industry, commerce and professional service firms.

For further information visit www.treasurers.org

Guidelines about our approach to policy and technical matters are available at <http://www.treasurers.org/technical/manifesto>.

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The Association of Corporate Treasurers, London, October 2015