

Amundi's answer to IOSCO/CPMI consultation

Harmonisation of key OTC derivatives data elements (other than UTI)- batch 1

(October 9, 2015)

Amundi is the European leader and ranks in the Top 10 worldwide in the asset management industry with AUM above €950 billion at the end of March 2015. As such, we believe that it is part of our role to support the initiative of IOSCO that addresses real operational issues we face. We may not be best positioned to suggest global solutions, but we trust that our view as a buy side actor might be of interest in the framework of this consultation.

Please find below our comments under each question.

Q1 With reference to alternatives proposed for data elements included in the group "Date" (data elements 1.01, 2.01) and "Timestamp" (data element 8.03 in List 1 and data element 2.02 in List 2)

(a) Are the advantages and disadvantages of proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?

(b) Is the proposed default value sufficiently unambiguous? Will users of TR data be able to distinguish between the default value for timestamps and reported timestamps? If this would not be possible, what alternative do you suggest?

(c) Which of the proposed harmonisation alternatives should be supported and why? Under which circumstances would the alternative(s) be difficult to implement?

Amundi considers that the indication of the date as described into alternative 1 as YYYY-MM-DD without any reference to time is adequate. It is our current practice, it is sufficient to define the effectiveness of the obligation, it avoids discrepancies between actors who may quite often not stamp the same time information, it prevents any pointless discussion on the interest of milli, micro or nano second.

Q2 With reference to alternatives proposed in the allowable values for the data element**“Cleared”:**

- (a) Are the advantages and disadvantages of proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?
- (b) Which of the proposed harmonisation alternatives should be supported and why? Under which circumstances would the alternative(s) be difficult to implement?
- (c) Are the proposed alternatives sufficient to accommodate the potential need to distinguish between direct and indirect clearing?

Alternative 2 presents the advantage of simplicity and is totally unambiguous. Alternative 1 is apparently more detailed, but it presents at least 2 difficulties: it does not differentiate between Individual segregation agreement or Omnibus in case of principal clearing when it is one of the most important characteristics and position 5 is ambiguous introducing subjective intention instead of clear fact. We clearly favour alternative 2.

Q3 With reference to the definition of “ID of the primary obligor 1” (data element 5.01) and “ID of the primary obligor 2” (data element 5.02):

- (a) Would the guidance be sufficiently clear in the case of original and cleared trades, taking different clearing models into consideration?
- (b) Would the guidance be sufficiently clear in the case of trusts or collective investment vehicles?

With respect to funds the identification through the LEI may be insufficient in case of OTC derivatives trades on behalf of a share class which is identified by an ISIN when the LEI refers to the compartment. However, we cannot think of an alternative and we do not consider it as a difficulty due to the strict risk control and the segregation in the depositary's books between classes of a same compartment.

Q4 With reference to the definition for “Notional amount”:

- (a) Should guidance be complemented by a definition of “leg 1” and “leg 2” or are market conventions already clear? In the former case, which definition would you suggest? If relevant, please provide an asset-class specific answer.
- (b) As regards FX derivatives, the solution proposes only two notional amounts based on the assumption that for FX swaps the spot and the forward leg are represented as two separate transactions with separate UTIs linked via a linkage data element. Should the Harmonisation Group take into consideration an additional alternative? If yes, which one and why? For example, should

the Group require a total of four FX notional amount data elements namely two notional amount data elements to represent the two currencies associated with each leg of the swap?

(c) Should the Harmonisation Group in the future decide to provide harmonisation guidance also for the notional amount of commodity derivatives, which aspects should it take into account? How should this potential harmonisation proposal be defined for different commodity derivatives?

Leg 1 and leg 2 are commonly used and largely accepted terms that do not require a specific definition (which would probably be long and possibly confusing). Confirmations usually identify legs without ambiguity.

Q5 With reference to alternative 1, which harmonises both the actual “Notional amount” (Data elements 6.01 and 6.02) and the “Original notional amount” (Data element 6.04), versus alternative 2, which harmonises only the actual “Notional amount” (Data elements 6.01 and 6.02):

(a) Are the advantages and disadvantages of proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?

(b) Which of the proposed harmonisation alternative should be supported and why? Under which circumstances would the alternative(s) be difficult to implement?

Amundi shares the view expressed in alternative 2, that a rapid inspection could determine the original amount without having to report it repeatedly.

Q6 With reference to alternatives proposed in the allowable values for the data elements “Notional currency” (alternative 1 and 2):

(a) Are advantages and disadvantages of proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?

(b) Which of the proposed harmonisation alternative should be supported and why? Under which circumstances would the alternative(s) be difficult to implement?

The ideal would be to modify norm ISO 4217 and include other currencies, actually traded. It includes offshore as well as virtual currencies like Bitcoin to name a famous one. Otherwise, alternative 2 that sets a distinction between RMB and CNH has our preference.

Q7 With reference to the data element “Valuation amount”:

(a) Are the two proposed alternatives agreeable? Please specify for which types of derivatives which of the alternatives should apply.

(b) Should the following factors, upfront payment and daily settlement of the derivatives transaction, be reflected in the valuation amount? If yes, please specify how.

An asset manager is used to daily valuation at market price as described in alternative 1. Alternative 1 has the advantage to be identical for both counterparties. Conversely, alternative 2 conveys + and – signs that are source of operational risk.

The valuation amount is the price of the contract at the time of calculation. It does not include the impact of margins or payments that are done to mitigate the risk. Economically the sum of variation margins for example expresses the result of the investment, but they are not part of the valuation.

Q8 With reference to alternatives proposed for included in the group “Valuation” (data elements 8.04 and 8.05):

(a) Are the advantages and disadvantages of proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?

(b) Which of the proposed harmonisation alternatives should be supported and why? Under which circumstances would the alternative(s) be difficult to implement?

We fear that time of valuation might be misleading if further clarification is not provided. Two different entities may have different results for calculations at the same time: one shows the time when the calculation was made when the other shows the time at which data were collected prior to the calculation. Time of data is what matters.

Amundi prefers alternative 2 which has the main advantage of suppressing the need for Data Element 8.05 VALSOURCE. From a practical point of view, the push towards central clearing places CCPs at a pivotal position and their role includes the publication of valuation according to a methodology that has been validated by authorities. For end clients it must be confirmed as a sincere and reliable source of valuation without having to investigate whether it relies on market or model. Alternative 1 is not appropriate in our opinion. Alternative 2 which we support could be extended to split the position O in two: I for model based on internal source and E for model based on external sources.

Q9 With reference to alternatives proposed for the data element “Direction”:

(a) Are the advantages and disadvantages of proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?

(b) Which of the proposed harmonisation alternative should be supported and why? Under which circumstances would the alternative(s) be difficult to implement?

(c) Are the proposals sufficiently robust for transactions with multiple legs? With reference to Alternative 1, can the counterparty side (buyer/seller) clearly identify the parties paying each relevant payment stream? With reference to Alternative 2, is the payer of payment streams an

applicable concept for all payment streams? Responses illustrated with worked examples where applicable would be appreciated.

Alternative 2 that expresses the direction according to the payments made is intellectually more satisfactory as it reduces the need for arbitrary definitions. However current practice is much closer to alternative 1 and there is usually no confusion on who is a buyer or a seller. We believe that it will be easier to keep the current ways of the markets and stick to alternative 1.

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