Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – second batch – consultative report

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General comments on the report:

A listed company since November 2015 with Crédit Agricole as its majority shareholder, Amundi is the largest European Asset Manager in terms of AUM, with over 1,050 billion euros worldwide. Headquartered in Paris, France, Amundi has six investment hubs located in the world's key financial centers and is very attentive to the evolution of the market infrastructures and their contribution to financial stability. In that respect we praise regulators' initiatives to enhance transparency through more specific and exhaustive reporting. Amundi knows that reporting is burdensome, especially as it duplicates in the absence of a central hub where data could be transferred with proper authorization for authorities to access what they monitor. Any encouragement to go further in the standardization of information is welcomed to smoothen the reporting process.
Amundi is the trusted partner of 100 million retail clients, 1,000 institutional clients and 1,000 distributors in more than 30 countries. Amundi designs innovative, high-performing products and services for all these types of clients tailored specifically to their needs and risk profile. As a consequence of our fiduciary duty towards those client investors, we are attentive to all means that aim at improving financial stability, among which transparency. We are keen to participate to the present consultation as we did in previous occasions, limiting our comments to those points where we feel we have a view or experience to share.

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

2.2 Execution timestamp

Comments on the data element “execution timestamp”:

2.3 Final settlement date

Q1: With reference to the definition proposed for the data element “final settlement date” (Section 2.3), is it sufficiently clear that the settlement date for options and swaptions is the date on which the option or swaption would settle if it was exercised on the expiry date? If not, should additional language be added to the definition to clarify that?

No, it is not clear in our opinion how the field should be populated for American type options. They have a final maturity but the date of the final settlement is uncertain, since these option may be exercised at any time before the expiry date and, hence, finally settled. The definition refers to “the actual day on which transfer of cash or assets is completed”. We suggest that the wording be amended to read “the last day on which transfer of cash or assets can contractually be completed”. In addition there should be an indication that null will be the value for that type of option. Lastly, the idea to let the final settlement date blank for CDS contracts should be assessed in comparison with the alternative that would consist in putting null value. We wonder whether american options and CDS should have different treatments: both have an undetermined settlement date. On the other hand, one is subject to a personal decision by the buyer of the option when the other is subject to an external credit event.

Other comments on the data element “final settlement date”:

2.4 Settlement currency

Q2: With reference to the definition proposed for the data element "settlement currency" (Section 2.4), is it sufficiently clear that the settlement currency of swaptions is the currency of the underlying swap? If not, should additional language be added to the definition to clarify that?

Other comments on the data element "settlement currency":

2.5 Confirmed

Comments on the data element "confirmed":

2.6 Day count convention

Comments on the data element "day count convention":

We appreciate that the reference to the AFB actual/actual count is one of the official possibilities.

2.7–2.8 Payment frequency period; payment frequency period multiplier

Q3: With reference to alternatives proposed for the data element "payment frequency period" (Section 2.7):

(a) Are the advantages and disadvantages of the 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? Is alternative 2 sufficiently broad to capture all the allowable values that are relevant for an OTC derivatives transaction? If not, which allowable values are missing? Should the list of allowable values under alternative 2 also include the value "intraday"? Please provide examples in which the additional allowable values that you propose would be relevant for an OTC derivatives transaction. Is it preferable to expand the list in alternative 2 with the missing allowable values or to opt directly for the most extensive list of allowable values available in alternative 1?

We believe that option 2 that limits the number of possibilities should be favoured. It avoids the possibility to declare the same payment frequency in several different ways. The only question relates to the absence of the reference to MOVE that, in option 1, allows for a payment that is triggered by an event at an unknown frequency. However, we feel that it should be sufficient to decide whether NULL would apply in this case, since there is no specific frequency, or whether ADHOC should be preferred in order to evidence that it is none of the proposed payment frequencies that applies. We would recommend NULL to be defined in such a way as to include triggered payments.
Furthermore, we see that TERM appears in option 2 only when it was supposed to represent a shorter version of option 1. We wonder the reason for this and are not sure that TERM represent any frequency as it means absence of repetition. We believe that NULL should apply when there is no periodic payment.

Other comments on the data elements "payment frequency period" and "payment frequency period multiplier" (Sections 2.7–2.8):

With reference to 2.8 on the Payment frequency period multiplier, we find that the use of 0 (null) must be reconsidered. Why not include the possibility to have a 0 to express intraday as 0 DAIL in option 2 in the absence of INDA ? If ADHO frequency should be accompanied by a 1 multiplier why should not the same 1 multiplier apply for payment at term ? We believe that it is another argument in favour of suppressing TERM as payment frequency.

2.9–2.12 Counterparty 1 (reporting counterparty); counterparty 1 type; counterparty 2; counterparty 2 type

Q4: In the consultative report on the first batch of data elements (other than the UTI and UPI), the Harmonisation Group proposed the harmonisation of the "identifier of the primary obligor". Based on the feedback received during the public consultation, the Harmonisation Group is considering referring to the same concept with the term "beneficiary". With reference to data elements "counterparty 1 (reporting counterparty)", "counterparty 1 type", "counterparty 2" and "counterparty 2 type" (Sections 2.9–2.12):

(a) Is it clear that in some jurisdictions the counterparty and beneficiary are always the same entity while in other jurisdictions they may or may not coincide?

For example, in the US the counterparty would always coincide with the beneficiary; in the EU this is not always the case as eg in a transaction concluded at the level of the umbrella fund, that fund would be identified as the counterparty, and the sub fund as the beneficiary.

Is it necessary to further clarify the term "counterparty" or is it clear enough?

We support the identification of counterparties through the LEI Code. We agree that only natural persons could be exempted from that reference. We also agree to mention that in the case of funds it is the fund or the-sub fund that is identified by the LEI that should be declared and not the asset manager who is a simple agent. We disagree with the example given in the question above : the LEI is specific to the sub-fund and not the fund. Amundi has registered all the sub-funds as it is the common interpretation of the EU regulation in France.

(b) Are there cases in which a transaction involves multiple counterparties that are jointly liable for the whole amount of the transaction? If so, how do you believe that multiple counterparties should be represented?

Multiple counterparties should all be listed in the counterparty report for the sake of transparency.

(c) In addition to reporting counterparty 2 type, what approach should be taken for natural persons not acting in a business capacity as counterparty 2?

Identification of the counterparty is nonetheless necessary. The proposed rules under MIF reporting might apply in that case.

Other comments on the data elements “counterparty 1 (reporting counterparty)”, “counterparty 1 type”, “counterparty 2” and “counterparty 2 type” (Sections 2.9–2.12):

2.13 Report-submitting entity

Comments on the data element “report-submitting entity”:

A remark on 2.13 about the report submitting entity. It is useless to ask counterparty 1 to identify itself again as reporting entity; this item should only get populated if and only if the reporting agent is not the counterparty but its delegate. The text should, hence, not mention in the first line “the identifier of reporting counterparty” but “reporting agent”. In any case, a delegate reporter is not a counterparty.

2.14 Broker of counterparty 1

Comments on the data element “broker of counterparty 1”:

In the case of asset management, we insist that the management company is not acting as a broker. It is not a counterparty either, the fund is.

2.15 Central counterparty

Comments on the data element “central counterparty”:

2.16 Clearing member

Comments on the data element "clearing member":

2.17 Platform identifier

Comments on the data element "platform identifier":

2.18 Inter-affiliate

Q5: Should the definition of the data element "inter-affiliate" (Section 2.18) take into account the possibility that there is no local definition of affiliated entities under the local regulation of counterparty 1 (reporting counterparty), or is this redundant?

It is not necessary, in our opinion, to address the definition of affiliates in this reporting section. Each counterparty will be responsible for assessing the existence of an inter-affiliate transaction and documenting it.

Other comments on the data element "inter-affiliate":

2.19 Booking location of counterparty 1

Q6: With reference to the data element "booking location of counterparty 1" (Section 2.19), is it clear that the location where the transaction is booked for counterparty 1 refers to the location where profit and losses are allocated (be it the location of the headquarters, domestic branch or international branch)?

Yes, we understand "booking" as meaning that profits and losses are allocated to the desk running the book. Actually, we are not convinced that it is appropriate to report the location where the booking is made. In terms of financial stability and global market/counterparty risk, the relevant point is to know which is the counterparty. If a foreign subsidiary, it will evidently be located elsewhere, if a branch the location is not important, since what is to be feared is the default of the counterparty which implies the default of all branches.

Other comments on the data element "booking location of counterparty 1":

2.20 Location of counterparty 1's trading desk

Q7: With reference to data element "location of counterparty 1's trading desk" (Section 2.20), is it sufficiently clear who is being referred to as the trader "responsible for executing the transaction"?

Here again, we question the relevance of keeping track of the location of the trader who executed a transaction in order to assess systemic risk on financial stability. For market abuse purpose it is not the location but the identity of the trader that will matter.

Other comments on the data element "location of counterparty 1's trading desk":

2.21–2.22 Strike price; strike price notation

Q8: With reference to data elements "strike price" and "strike price notation" (Sections 2.21 and 2.22) is the proposed format length for "strike price" (Num(18,13)) sufficiently big for strike prices denominated in any currency? If not, what would be an appropriate format length, both for characters before the decimal point and characters after the decimal point?

Other comments on the data elements “strike price” and “strike price notation”:

2.23 Option lockout period

Comments on the data element “option lockout period”:

2.24–2.25 Option premium; option premium currency

Q9: With reference to data elements “option premium” and “option premium currency” (Sections 2.24 and 2.25), should an option premium payment date be added, to take into account that the option premium may sometimes be paid at the end of the transaction?

The postponement of the payment of an option premium amounts in our opinion to a credit line opened by the seller of the option to the buyer. It is not a simple modality of the option and it changes the nature of the deal. Therefore, we do not believe it is necessary to foresee an additional item such as “option premium payment date”.

Other comments on the data elements "option premium" and "option premium currency":

2.26–2.27 CDS index attachment point; CDS index detachment point

Comments on the data elements "CDS index attachment point" and "CDS index detachment point":

We believe that the attachment and detachment points should be expressed in percentage and not as an decimal number to be immediately understandable.

Other comments: