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:

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

Altough timestamp is the best alternative to capture the exact registration moment, in some jurisdictions maybe the reporting date may be enough. Because of that we suggest that the timestamp be an optional information and the date be obligatory.

2.2 Execution timestamp

Comments on the data element “execution timestamp”:

An important fact to consider in the analysis is that not every trade repository would be able to capture the execution timestamp once the execution could be made by phone, for example. For trades made thru trading venues it could be possible to capture the information more easily. This is the reason why we suggest that the timestamp should be optional, being the execution date obligatory.

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?

The definition is clear enough. Nothing to add.

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?

The definition is clear enough. Nothing to add.

Other comments on the data element "settlement currency":

Nothing to add.

2.5 Confirmed

Comments on the data element "confirmed":

In some jurisdictions the trade is registered just after the confirmation by both counterparties thru matching process, what makes this information unnecessary for reporting purposes, once there wont be "unconfirmed trades". That is the case of Brazil, for example.

One important piece of information about brazilian derivatives market is that in Brazil every derivative transaction must be registered in a trade repository in order to be considered as a valid operation. One more reason why "unconfirmed trade" can not be a valid status in some jurisdictions.

2.6 Day count convention

Comments on the data element “day count convention”:

Most of the conventions mentioned are used in Brazil, however, considering the existing convention in Brazil it´s very commom to use working days.

We suggest to include this convention mainly used in Brazil.

The suggestion is: A015=22252BrazilianBasicRule.

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?

Yes, it is. Nothing to add.

(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?

Thinking on global scale and the diversity of OTC transactions that can be made and recorded, alternative 1 seems to address in a more properly manner this issue once it contains a more extensive list of values, allowing greater flexibility.

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

Nothing to add.

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?

Altough the definition seems to be clear enough it would be reasonable if the details related to counterparties were well explained in a detailed manner in a guide made available for trade repositories administrators.

(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?

In brazilian jurisdiction, there arent counterparties jointly liable. Thinking of having it being registered, one possibility would be fulfill a field named "jointly liable" (Yes or No).

(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?

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

In BM&FBOVESPA the counterparties' data elements are storaged in a Register system, which contains all data related to final investors. Those counterparties receive a code or an account number that represent them in Trade Repository. Thus, there is no need to replicate information of counterparties in every transaction they made, being enough the indication of the account number to inform the parties.

2.13 Report-submitting entity

Comments on the data element "report-submitting entity":

Nothing to add.

2.14 Broker of counterparty 1

Comments on the data element "broker of counterparty 1":

Nothing to add.

2.15 Central counterparty

Comments on the data element "central counterparty":

Nothing to add.

2.16 Clearing member

Comments on the data element "clearing member":

In BM&FBOVESPA's model, a clearing member participates in the Clearing environment, not accessing trade repository directly. The relationship between a party of a operation and its clearing member is storaged in the Register system and not in the trade repository and, as a consequence, the submitting entity doesnt have to send the information for every transaction submitted to TR.

2.17 Platform identifier

Comments on the data element "platform identifier":

Nothing to add.

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?

Altough the definition seems to be clear enough it would be reasonable if the details related to inter-affiliate definition were well explained in a detailed manner in a guide made available for trade repositories administrators. In that case would rest no doubt about the meaning of this field.

Other comments on the data element “inter-affiliate”:

Nothing to add.

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)?

Altough the definition seems to be clear enough it would be reasonable if the details related to booking location definition were well explained in a detailed manner in a guide made available for trade repositories administrators. Moreover, having booking locations different from the location of execution certainly is not a common practice on global scale, reason why it is important to provide more details related to this specific data element. Additionally this possibility could be applied, also, for counterparty 2.

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

This data element should be optional, since there is no such possibility in some jurisdictions.

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"?

Altough the definition seems to be clear enough it would be reasonable if the details related to counterparty 1's trading desk location definition were well explained in a detailed manner in a guide made available for trade repositories administrators. Moreover, having booking locations different from the location of execution could not be a common practice on global scale, reason why it is important to provide more details related to this specific data element. Additionally this possibility could be applied, also, for counterparty 2's trading desk location.

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

Nothing to add.

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?

The format Num (18,13) is big enough for represent strike prices denominated in any currency.

Additionally, in Brazil strike price notation may have different values according the asset object.

Eg: The notation of the strike of the Equity Option can be defined as a percentage of closing price or as a value determined between parts.

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

Nothing to add.

2.23 Option lockout period

Comments on the data element “option lockout period”:

Nothing to add.

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?

Considering the possibility of having the premium payment during the period among the first and the last day of the operation, it is important to have a field containing this date of payment.

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

Nothing to add.

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":

Nothing to add.

Other comments:

Nothing to add.