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:

We are appreciative of the efforts taken by the CPMI-IOSCO to understand the various processes and practices followed by the various participants in the system and taking each granular data element into consideration. While many of the data elements suggested are important and good to have, some of the data elements need not be reported or captured in a Trade Repository as it may lead to :

a) delay in reporting due to non availability of the required information at the time of reporting. This will result in delay in data dissemination which may affect transparency.

b) Over loading of the TR system and making it costly both in terms of development and maintenance for the members as well as the TR without commensurate benefits.

c) Some information may be inferred from other data elements.

d)At present, in many jurisdictions, LEI is not mandated. Before the new data structure is enforced, it has to be ensured that Regulators are required to mandate LEIs, at a minimum for all entities (counterparties, beneficiaries etc) that are party to OTC derivative contracts.

e)While endeavoring to meet Regulatory objectives as far as possible care should be taken not to include far too granular details such that the primary objective of exposure monitoring for risk mitigation is missed.

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

Recording the reporting timestamp is essential as it helps to ensure reporting discipline.

2.2 Execution timestamp

Comments on the data element “execution timestamp”:

It is essential to capture the execution time stamp. This time stamp may be used in monitoring market activities (front running, insider trading etc). It will also help in timely data dissemination which will improve the transparency in the OTC market.

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?

Yes, the definition is clear and in line with market convention.

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

None

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 of settlement currency is clear for cash settlement of derivative contracts. However, at present, swaptions are not traded in our area of operations.

Other comments on the data element "settlement currency":

None

2.5 Confirmed

Comments on the data element "confirmed":

Most transactions in OTC Derivatives today are exempt from confirmations based on:
a) their conclusion on a trading platform or
b) reporting and matching on a Trade Repository;or
c) prior ISDA, being in place.
The percentage of "non confirmed" transactions is likely to be minuscule,hence we feel that capturing this information separately in a TR may not add value.

2.6 Day count convention

Comments on the data element "day count convention":

The list is exhaustive and hence no additional comments required.

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, the advantages and disadvantages of the proposed harmonisation are appropriately defined.

(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?

Alternative 2 is sufficiently broad to capture all allowable values. Further in our jurisdiction, we do not have any instruments which are settled on an intra day basis.

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

In our jurisdiction, trades are reported with a payment frequency but not with a separate multiplier. Depending on the tenor and payment frequency, the no of repetitions are decided and hence a separate multiplier is not required. However if alternative 2 is adopted, a separate multiplier may be required.

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?

In our jurisdiction, counterparty and beneficiary are always the same. We do not consider it necessary to clarify the term "Counterparty" any further.

(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?

No. Even in the case of FX Swaps where it is possible that there are 2 different counterparties to the 2 legs of the swap contract, each leg is reported as a separate transaction with a single counterparty.

(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?

There would be a very small portion of OTC derivative trades where the CP2 is a natural person not acting in a business capacity and they donot have potential to create a systemic risk. However, if required, for natural persons not acting in a business capacity , a uniform identifier code on the lines of a LEI could be assigned.

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

For the counterparty, as allowable value is a LEI code, there is no value add by capturing Counterparty type as LEI will be issued to Legal Entities as defined by LEI ROC.

Further, in our jurisdiction, for transactions required to be reported by both parties to the trade, each counterparty is treated as a reporting counterparty.

2.13 Report-submitting entity

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

When the reporting counterparty is self, that element is already captured as CP1 or CP2.
Capturing the data of a third party, other than reporting counterparty may not add value as they may not pose any systemic risk.
This element may be avoided.

2.14 Broker of counterparty 1

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

Capturing of broker information may entail capturing too much of granular data and thereby impeding timely reporting and associated processes like data dissemination.
Accordingly, this data element need not be a part of reporting to the Trade Repository.

2.15 Central counterparty

Comments on the data element “central counterparty”:

None, there will be multiple records for every transaction- the original transaction and the novated transaction with CCP as counterparty.

2.16 Clearing member

Comments on the data element "clearing member":

None

2.17 Platform identifier

Comments on the data element "platform identifier":

We feel that information may not really help in mitigating systemic risk as the platform is only an avenue for entering into a transaction.

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?

The dealer/reporting entity may not have on hand all such information at the time of reporting to a TR and hence capturing this field will only add to delay in reporting. Once the relationship data is captured in LEI as part of GLEIS, the inter affiliate status can be inferred.

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

None

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)?

Practically this information may be difficult to be captured in a TR, due to possibility of multiple booking locations, which may not be available at the time of reporting.

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

We are not sure whether inclusion of this information adds value to the TR. Further, it could lead to information over load for the TR/Regulator.

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"?

Practically this information may be difficult to be captured in a TR.

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

We are not sure whether inclusion of this information adds value to the TR. Further, it could lead to information over load for the TR/Regulator.

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?

Yes, with reference to data elements "strike price" and "strike price notation", the proposed format length for strike price is sufficiently big for strike denominated in any currency.

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

None

2.23 Option lockout period

Comments on the data element “option lockout period”:

Currently not applicable, as in our jurisdiction only "European Options" are permitted.

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?

Yes, the option premium payment date needs to be added to record the date on which the option premium is payable/receivable, in case of options with "Deferred Premium".

Other comments on the data elements “option premium” and “option premium currency”:

In the case of option premium (allowable value), zero value should be allowed even for option deals that are part of a strategy.

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”:

No comments.

Other comments: