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:

China Financial Futures Exchange ("CFFEX") appreciates the opportunity to comment on CPMI-IOSCO's consultative report on: Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – second batch ("Consultative Report"). CFFEX is supportive of derivatives data elements harmonisation to allow the aggregation of data within the financial system, and we appreciate the efforts of CPMI-IOSCO to provide a comprehensive and consistent list of key OTC derivatives elements. However, we would like highlight the following points for CPMI-IOSCO's attention.

Information overlapping between CDE and UPI
We noticed that information overlapping exists between UPI and CDE, which could cause redundancy and inefficiency. For example, the UPI code includes the information of settlement currency and second batch of CDE also includes the information of settlement currency.

Trade-off between accuracy and efficiency
We are aware that in the Consultative Report the format length could up to 25 numerical characters including 5 decimals or even 13 decimals for the accuracy of risk measurement. Such accuracy is needed in commercial level for micro-risk management. However, for systemic risk assessment, such accuracy may not be necessary and cause inefficiency.

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

No comment.

2.2 Execution timestamp

Comments on the data element “execution timestamp”:

No comment.

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?

We believe the definition is sufficiently clear.

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

No other comment.

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?

We believe the definition is sufficiently clear.

Other comments on the data element "settlement currency":

No other comment.

2.5 Confirmed

Comments on the data element "confirmed":

No comment.

2.6 Day count convention

Comments on the data element “day count convention”:

No comment.

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?

We believe that one of disadvantages of Alternative 1 is the difficulties of aggregation, since Alternative 1 allows the same payment frequency to be reported in more than one way. For example, if one counterparty reports a semiannually paid swap as " 2 QURT ", while another counterparty reports the contract with same payment frequency as "1 MAIN", the TR who these counterparties reported to needs further work to aggregate the contracts with same payment frequency.

(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 support Alternative 2 and oppose Alternative 1. And we do not envisage any situation to use "intraday" as payment frequency. However, for the completeness of allowable values list, we support to add "intraday" to expand the list in Alternative 2.

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

No other comment.

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 China, the counterparty and the beneficiary could be different entities. And the situation in China is very similar to the situation in the EU.

(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?

We are aware that some transactions may involve an entity with guarantee liability. In that case, the term "guarantor" can be used.

(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?

No comment.

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

No other comment.

2.13 Report-submitting entity

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

No comment.

2.14 Broker of counterparty 1

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

No comment.

2.15 Central counterparty

Comments on the data element "central counterparty":

No comment.

2.16 Clearing member

Comments on the data element "clearing member":

No comment.

2.17 Platform identifier

Comments on the data element "platform identifier":

No comment.

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?

We are not aware of any jurisdiction that there is no definition of affiliated entities.

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

No other comment.

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)?

We believe a clear description should be given to the definition of " booking location of counterparty 1" so as not to be confused with the registration location of counterparty 1.

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

No other comment.

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"?

Yes, it is sufficiently clear.

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

No other comment.

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?

We believe that the proposed format length Num (18, 13) is not sufficiently big for strike prices and there is no need to keep to 13 decimal places. We suggest to using Num (25, 6) as format length.

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

It should be clarified that for option whose underlying is volatility, such as VIX option, whether "number" or "percentage" should be used as strike price notation.

2.23 Option lockout period

Comments on the data element “option lockout period”:

No comment.

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?

We suggest that instead of adding option premium payment date, the option premium payment style (equity-style and futures-style) should be added to data elements list. Equity-style means that the premium is paid when the option is traded and futures-style means that the premium is paid on exercise or expiry.

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

No other comment.

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 comment.

Other comments:

No other comment.