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

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General comments on the report

2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

No comment

2.2 Collateral portfolio code

Q1: With reference to the alternatives proposed to capture information on portfolio code(s) (Section 2.2):

(a) In your view, how prevalent is the situation in which different transactions concluded under the same Master Agreement are associated with different CSAs (for initial margin posted, initial margin received and variation margin)?

No comment

(b) The definition proposed in Alternative 1 is based on the assumption that, in the event of default, the entirety of the collateral provided under the given Master Agreement would be used to cover the loss of the non-defaulting counterparty, whether or not separate CSAs (for initial margin posted, initial margin received and variation margin) might be linked to that Master Agreement and whether or not all the transactions concluded under that Master Agreement would be associated with each of these CSAs. Is this assumption correct? If not, please clarify how the respective obligations would be resolved in the case of default. Please provide examples.

No comment

(c) Are the differences in authorities' use of the two alternatives clearly illustrated in Table 2?

Yes, it is clearly articulated.

(d) Which of the proposed harmonisation alternatives should be supported and why?

CME suggests the use of Alternative 1 as we do not believe that the level of granularity requested in Alternative 2 will enhance the regulators ability to monitor for systemic risk.

Other comments on the data element "Collateral portfolio code":

No comment

2.3 Portfolio containing non-reportable component

Comments on the data element "Portfolio containing non-reportable component":

The non-reportable components in a portfolio could differ from one jurisdiction to another and so may require product types that are subject to margin regulations to complement this data element.

2.4–2.28 Data elements related to margins

Q2: The purpose of the data element "Initial margin settlement timing" (Section 2.10) is to allow authorities to better understand the difference between "Initial margin required to be posted by the reporting counterparty" (Section 2.17) and the "Initial margin posted by the reporting counterparty" (Section 2.5) as this difference may be due to the timing of when the required margin is determined and when the margin is posted. In the absence of information on the margin settlement timing, the difference in the margin required and margin posted amounts could be interpreted as over- or under-collateralisation. Information on the settlement timing of margin collected would serve the same purpose for global aggregation of initial margin collected (Sections 2.8 and 2.19).

(a) Are there challenges linked to the data element "Initial margin settlement timing" as defined above? Is there an alternative, more effective, way to represent this information, such as the date on which the initial margin posted (or collected) has been settled?

CME is of the opinion that posting of margin above and beyond what is required has less to do with the settlement timing of margin and more to do with convenience. In low interest rate environments it is often easier to leave money in the account instead of conducting daily wire transfers. In high interest rate environments this is less likely to occur because excess cash can be making more money if it is invested. Assuming this is generally the rationale for why excess cash was left in an account providing information on the timing of margin settlement would provide little discernible value.

(b) How prevalent is the existence of different settlement timings (T+0, T+1, T+2, T+3) within a given jurisdiction? Would the settlement timing for the initial margin posted different from the one for initial margins collected?

No comment

Other comments on the data elements related to margins:

It is not clear to CME how the collection of such collateral information would further the regulator's understanding of systemic risk more broadly or at the individual counterparty level. Furthermore, this information is typically set forth in the various agreements between the counterparties and unlikely such information is maintained in an electronic format that could easily be integrated into a firm's reporting system. Capturing this information in an electronic format and integrating it into the reporting systems would be a costly and cumbersome exercise. The end result would be of marginal benefit to the regulators.

Regarding currencies, CME advocates the use of CNH currency code as it allows regulators to aggregate by currency if required. Separately, CME would also like to suggest the use of Bitcoin "XBT" as a currency code.

Regarding pre-haircut data elements, we believe it may not be possible for the party collecting the collateral to determine the pre-haircut value.

2.29 Indicator of intraday variation margin calls

Comments on the data element "Indicator of intraday variation margin calls":

No comment

2.30 Collateralisation category

Comments on the data element "Collateralisation category":

CME supports the use of the listed enumerated values since no payer information is currently recorded when partially or one-way collateralized.

2.31–2.35 Data elements related to counterparty rating trigger

Q3: With reference to the data elements "Counterparty rating trigger indicator", "Counterparty rating threshold", "Incremental collateral required", "Threshold rating for automatic termination provision" and "Closeout payment for automatic termination provisions" (Sections 2.31–2.34):

(a) For each alternative of the data element "Counterparty rating trigger indicator", do definitions and allowable values accurately reflect provisions contained in collateral agreements or master agreements covering OTC derivative transactions to protect parties from counterpart credit deterioration? How prevalent currently are counterparty collateral rating triggers or comparable automatic-termination provisions in collateral agreements or master agreements? How, if at all, have recent changes to market practices affected the

prevalence or the form of counterparty collateral rating triggers or comparable automatic termination provisions?

No comment.

(b) Are the advantages and disadvantages of the proposed harmonisation alternatives of the data element "Counterparty rating trigger indicator" appropriately defined? If not, which aspects should be revised and how? Which of the proposed harmonisation alternatives should be supported and why?

CME supports the use of alternative 1. This approach would be less cumbersome for market participants to report to a TR and avoid confusion that may be caused in the other alternative.

Q4: With reference to the alternatives proposed for the data element "Counterparty rating threshold" (Section 2.32):

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

No comment.

(b) Which of the proposed harmonisation alternatives should be supported and why?

CME supports the use of alternative 1. This approach would be less cumbersome for market participants to report to a TR and and avoid confusion that may be caused in the other alternative.

Q5: The definition of the data element "Incremental collateral required" (Section 2.33) relies on the assumption that the effects of multiple-notch downgrades are roughly linear. Are there instances in which the effects increase more than linearly with the number of notches in a hypothetical downgrade? If so, how could multiple scenarios be encompassed in the definition?

No comment.

Other comments on the data elements "Counterparty rating trigger indicator", "Counterparty rating threshold", "Incremental collateral required", "Threshold rating for automatic termination provision" and "Closeout payment for automatic termination provisions" (Sections 2.31–2.35):

Due to the lack of sufficient information, we are unable to comment further except that if counterparties do maintain this information then it may be cumbersome for them to capture this information digitally for reporting purposes.

From a TR standpoint, however, if the regulators find a need to capture this information then its must be standardized across jurisdictions.

2.36 Clearing obligation in the jurisdiction of the reporting counterparty

Comments on the data element "Clearing obligation in the jurisdiction of the reporting counterparty":

In certain jurisdictions where mandatory clearing rules are in effect a list of applicable products or description of the criteria that would require a swap to be cleared has been published. It may be possible in those situations the clearing obligation can be determined from existing data elements and will be just redundant information. In some other jurisdictions there isn't enough information currently captured by the TRs that make the clearing obligation evident so the recommendation will be to make the field optional.

2.37–2.41 Data elements related to "Price"

Q6: With reference to the data element "Price" (Section 2.37), are there OTC derivative transactions products where the price or a concept of price is not captured under the "Price" data element or any other data element including "Fixed rate", "Spread", "Strike price", "Option premium" and "Other payment type (upfront payment)"? If so, please provide detailed examples of those products. Would the industry benefit from additional guidance for the "price" data element?

The Price field should allow zero and negative values though uncommon but possible. Additional products where Price would not be applicable would be for Interest Rate options or swaptions, FX spots. The price may also be blank or a differential on a Trade at Settlement ("TAS") trade until a price is available. Additionally, due to cost burdens and complexity associated with "post pricing", CME recommends that the Price data element should only contain the known value of the reportable OTC trade at the time of execution and request that this is clarified in the definition.

Q7: With reference to the data element "Price notation" (Section 2.40), is it clear and unambiguous which price notation (amount or percentage) should be applicable to each price? If not, which ones? Are there additional price notations that should be allowed? If so, which ones? Would the industry rather benefit from additional guidance for the "price notation" data element?

The list of allowable values as drafted are not mutually exclusive. Thus counterparties would need the capability to submit multiple values in the Price Notation field (e.g., Upfront Points and Price) and the TRs would need to have the ability to consume such information. Accommodating the submission of multiple values for this field would require the TRs to implement repeatable fields.

Q8: With reference to the data element "Price unit of measure" (Section 2.41):

(a) Can commodity derivatives be negotiated in different unit of measures for the price and quantity? If so, would industry support two separate data elements for the (1) Price unit of measure and (2) Quantity unit of measure?

CME supports the use of separate fields. They are mutually exclusive and while one of them is populated the other should not be applicable.

(b) The list of allowable values in Table 4 in Annex 1 encompasses all the values included in ISO 20022's Unit Of Measure Code and four additional values.

(i) Are the values useful for reporting the Quantity Unit of Measure and the Price Unity of Measure?

(ii) If not, which ones are less useful and why?

(iii) Are there other values that should be added? Which ones, and why?

(iv) Are there duplicates or similar values that should be removed?

No comment.

Other comments on the data element "Price", "Price schedules", "Price currency", "Price notation" and "Price unit of measure":

For Price Currency, CME advocates the use of CNH currency code as it allows regulators to aggregate by currency if required. Separately, CME would also like to suggest the use of Bitcoin "XBT" as a currency code.

CME recommends to utilize the ISDA/FPML values for the Unit of measure field as not every FPML value can be mapped one-to-one to an ISO code. If the proposal is to continue to use the ISO values, then new units may be required outside of the ISO standard and regulated as such.

2.42–2.50 Data elements related to "Fixed rate", "Strike price" and "Option premium"

Q9: With reference to the data element "Spread notation" (Section 2.45), is it clear and unambiguous which notation (amount or percentage) should be applicable to each spread? If not, which ones? Are there additional spread notations that should be allowed? If so, which ones? Would the industry benefit from additional guidance for the "spread notation" data element?

No comment.

Other comments on the data element "Fixed rate", "Spread", "Spread currency", "Spread notation", "Strike price", "Strike price currency", "Strike price schedules", "Option premium", "Option premium payment date":

See response to Q6.

2.44 Regarding Spread Currency, Notional Currency for the Interest Rate/Commodity Swaps is the same as Spread Currency so please clarify if the expectation for spread currency is to represent the currency of floating date index

2.48 Additionally, CME would like to request further information or clarity on the definition and type of products or options that a Strike Price Schedule will apply to.

2.51–2.52 Data elements related to "Exchange rate"

Comments on the data element "Exchange rate" and "Exchange rate basis":

CME would also like to suggest the use of Bitcoin "XBT" as a currency code in addition to CNH for the Exchange Rate Basis field.

2.53–2.54 Notional amount and Notional amount schedules

Q10: With reference to the data element "Notional amount" (Section 2.53), are there particular cases where the notional amount may not always be known when a new transaction is reported and may be updated later? If so, which ones?

There are certain transactions such as Forward Starting swaps, where the notional is not known at the time of reporting. However, the CME TR's currently do require a notional value to be populated at the time of reporting per the jurisdictional regulations.

Other comments on the data element “Notional amount” and “Notional amount schedules”:

If the intention is to require the notional amount to be adjusted throughout its life to reflect the current amount, CME believes that such changes constitute a life cycle event and the TRs will require to implement a notional schedule provided by the reporting party at the step-up/step-down dates. But since in FPML the Notional Amount and Notional Amount Schedule are mutually exclusive, CME requests further clarity in the definition to state when one of them is populated the other is not applicable.

2.55–2.57 Data elements related to "Total notional quantity"

Comments on the data element "Notional quantity schedules", "Total notional quantity" and "Quantity unit of measure":

Regarding Quantity Unit of Measure, CME recommends to utilize the ISDA/FPML values for the Unit of measure field as not every FPML value can be mapped one to one to an ISO code. If the proposal is to continue to use the ISO values, then new units may be required outside of the ISO standard and regulated as such.

2.58–2.63 Data elements related to "Other payments"

Comments on the data elements "Other payment amount", "Other payment type", "Other payment currency", "Other payment date", "Other payment payer", "Other payment receiver":

CME believes that capturing other payments could be beneficial to understand the purpose of the payment though it could be a challenge for market participants to capture this information digitally.

In addition, not all suggested list of payment types CME would like to suggest the use of "Other" as an additional type for any payment that does not fall in the enumerated types.

2.64–2.71 Data elements related to "Packages"

Q11: With reference to the data element "Package trade price" (Section 2.66), could it be agreed that two possible situations may arise: (i) a package price does exist because all the transactions that represent individual components of the package are priced jointly, or (ii) a package price is not available because all the transactions that represent individual components of the package are priced individually? Is more clarity needed regarding the reporting of "Package trade price" and prices of individual components?

CME agrees on the two scenarios and does not believe there could be others.

Other comments on the data elements "Package ID", "Package trade price", "Package containing non-reportable components", "Package trade price currency", "Package trade price notation", "Package trade spread", "Package trade spread currency" and "Package trade spread notation":

Specific jurisdictions have defined what CME perceives to be Package IDs differently. The definition of "package" and reporting formats must be standardized across the various jurisdictions to help TRs avoid building redundant fields.

2.72 Prior UTI

Q12: With reference to the data element "Prior UTI" (Section 2.74), how is "Prior UT"I represented when clearing and allocation happen at the same point in time? And how is "Prior UTI" represented when clearing

and compression happen at the same point in time, as a single event? Do such cases of clearing and compression and clearing and allocation as a single event happen frequently?

CME's cleared workstream does not clear and allocate or clear and compress at the same point in time.

Other comments on the data element "Prior UTI":

From a TR standpoint, Prior UTI is primarily intended to capture the UTI in a one-to-one or one-to-many life cycle event (i.e., clearing novation, allocation, etc.). We agree with the field as currently proposed and would caution against any changes that would extend use of this field to capture the UTI in many-to-many or many-to-one life cycle events (i.e., Compressions). In order to provide a complete audit trail for cleared allocations we would suggest adding another field to capture the UTI of the initial swap.

2.73–2.77 Data elements related to "Custom baskets"

Q13: With reference to the data element "Basket constituents unit of measure" (Section 2.74) the list of allowable values in Table 4 in Annex 1 encompasses all the values included in ISO 20022's Unit Of Measure Code and four additional values.

(a) Are the values useful for reporting the "Basket constituents unit of measure"? If not, which ones are less useful and why?

CME appreciates the effort of using a more standard units of measure. But it also recognizes that if there will be adhoc values that are added, there will need to be a process established to add new values to the list, otherwise it would lead to data quality issues. Additionally, we would like to suggest that "Other" be added to permit trades where the units of measure are not included in the allowable values to be submitted until a new value can be established and implemented by the TRs.

(b) Are there other values that should be added? Which ones, and why?

See comment above.

Q14: With reference to the data element "Custom basket code" (section 2.75)

(a) would it be preferable to separate the information on the LEI of the basket issuer and the unique alphanumeric code assigned by such issuer to the custom basket? If so, please explain why this would be preferable for global aggregation.

CME advocates for separating out the LEI from the unique alphanumeric code so a search can easily be performed on either ID.

(b) are there types of custom basket for which the "issuer of the custom basket" is not clear? If so, please provide detailed examples of those custom baskets. Would the industry benefit from additional guidance for the term "issuer" in the "Custom basket code" data element?

No comment.

(c) are 52 alphanumeric characters after the LEI of the basket issuer enough?

No comment.

Other comments on the data elements related to custom baskets:

No comment.

Other comments