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

DTCC appreciates the opportunity to provide comments to CPMI-IOSCO regarding the harmonization of critical OTC derivatives data elements (other than UTI and UPI) – third batch. A globally consistent set of critical data elements allows for a more complete and harmonized view of the OTC derivatives market in addition to facilitating regulatory efforts to share and aggregate data in support of systemic risk monitoring.

We applaud CPMI-IOSCO's continued advancement of global data harmonization initiatives and believe that adoption globally of a singular standard is critical to these efforts. Through participation in CPMI-IOSCO working group sessions focused on these key initiatives, DTCC has provided detailed recommendations and looks forward to continue doing so. Below please find general comments for consideration, in addition to responses to specific questions outlined in the consultative report.

1. DTCC supports regulatory efforts to focus on a minimum number of data fields that allow supervisors to perform oversight functions. Therefore, we recommend CPMI-IOSCO consider streamlining and further clarifying the current set of critical data elements. With more than 70 new data attributes suggested, the third batch of data elements would benefit from a thorough review to right-size the number of data elements and potentially remove those with extremely limited or no impact on systemic risk monitoring. Examples include "package containing non reportable components" and "package trade price elements." We also suggest that clarification be provided for specific values to ensure consistency in reporting. DTCC offers recommendations regarding values that would benefit from further clarification as outlined in our responses below.

In addition, DTCC recommends CPMI-IOSCO explicitly state that the rules defined within the guidance apply directly to the reporting counterparty. As a result of compliance required of the reporting counterparty, all TRs can enforce the rules on inbound messages and it will be clear that the TRs should avoid supporting bespoke implementations of the attributes defined in this guidance. The industry would benefit from explicit guidance on the expectation of support of XML standards not included in the document (FpML). DTCC would also recommend that CPMI-IOSCO strongly encourage regulators to discuss coordinated adoption of these rules and, wherever possible, align on the timing of compliance for reporting counterparties. Inconsistent adoption will result in the maintenance of multiple code bases and will increase the cost and complexity of the implementation for the industry.

2. To advance creation of a definitive single standard, DTCC continues to strongly recommend that CPMI-IOSCO align efforts with existing standards currently in use globally. The utilization of existing industry standards provides the most effective and efficient method to achieve harmonization. For example, rather than encourage use of an ISO valid value list – which is not a widely-used industry standard – we recommend use of FpML coding schemes including "Unit of Measure" and "Day Count Fraction."

3. DTCC believes guidance on data standards should be agreed upon and a governance framework established to facilitate management of the global data set. A key final step is for policymakers to ensure these efforts are adhered to and implemented globally. To facilitate data harmonization, DTCC strongly believes that a governance structure over the creation of and subsequent changes to a global data dictionary as well as reporting implementation matters must be agreed by regulatory bodies under the guidance of CPMI-IOSCO. A global data dictionary – such as one that identifies an initial set of minimum validations and allowable values and format validations where applicable – would help ensure a consistent approach to reporting critical data elements in relevant jurisdictions. For successful implementation, a coordinated approach to changing the composition of the data elements in the data dictionary and the timing of such changes must also be adopted.

DTCC recognizes the challenges in effectuating global data harmonization and we commend CPMI-IOSCO for its continued leadership. We stand ready to assist CPMI-IOSCO in these crucial efforts.

2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

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)?

(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.

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

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

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

2.3 Portfolio containing non-reportable component

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

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?

(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?

Other comments on the data elements related to margins:

2.29 Indicator of intraday variation margin calls

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

2.30 Collateralisation category

Comments on the data element "Collateralisation category":

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?

(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?

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?

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

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?

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):

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":

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?

DTCC believes that the industry would benefit from explicit guidance on how to report the data element "Price." DTCC recommends that price guidance be described per the Unique Product Identifier ("UPI"), when taxonomy for the UPI is provided. We believe "Price" should be a separate data element in order for participants to have flexibility to report their mutually agreed upon price.

DTCC recommends that one price be described per product as this would limit the amount of flexibility within that product and improve the quality of reported data. As stated in DTCC's Opening Comments above, we recommend that CPMI-IOSCO encourage regulators globally to agree on best practices regarding data elements in order to encourage harmonization of attributes.

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?

As the widely-used industry standard is to report prices in decimals, DTCC recommends the addition of decimals as an allowed price notation.

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?

DTCC defers comment regarding the data element "Price unit of measure" to the practitioners in the industry who are best placed to respond.

(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?

DTCC recommends use of ISDA valid values, which are the widely-used industry standard, to limit the complexities of mapping to ISO values. The FpML coding scheme (See: http://www.fpml.org/coding-scheme/price-quote-units-2-3.xml) can be embedded into the ISO XML standard as a reference.

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

For products with "Price schedules," DTCC recommends that clarity be provided regarding what price to report. For example, DTCC suggests that in the absence of clarity, counterparties may only provide the first price in the schedule as “Initial Price” and then report lifecycle events and update the trade with the price at each scheduled date. However, DTCC defers to industry practitioners who are best placed to advise on this data element.

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?

DTCC recommends the guidance be adjusted to permit the use of decimals for "Spread notation" as decimals are the widely-used industry standard to report that data element.

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":

For products with "Strike price schedules," DTCC recommends that clarity be provided regarding what price to report. For example, DTCC suggests that in the absence of clarity, counterparties may only provide the first price in the schedule as "Initial Price" and then report lifecycle events and update the trade with the price at each scheduled date. However, DTCC defers to industry practitioners who are best placed to advise on this data element.

2.51–2.52 Data elements related to "Exchange rate"

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

DTCC recommends use of the ISO standard for representing the data elements "Exchange rates" and "Exchange rate basis" for ISO currencies where available.

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?

DTCC believes that the data element "Notional amount" for equities may not be known or appropriately calculated as per the IOSCO prescribed formula in the following cases:

- The notional amount on an equity zero strike option would be zero, as per the proposed formula. However, this does not appropriately convey the intended notional value.

- The notional amount for an equity forward starting option would not be calculable as the strike price in currency terms is only identified at a later point in time on the Strike date.

- The notional for an equity swap, PSA and CFD may not be known upon execution when the initial price is derived from a future event, such as the closing market price of the underlier.

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

Regarding OTC derivative transactions negotiated in non-monetary amounts, DTCC recommends the below:

- For equity options and similar products, DTCC suggests the notional calculation definition be updated to include the product of Strike price, Option entitlement (or multiplier) and number of shares (or index units). For unknown Strike prices, DTCC defers to industry practitioners who are best placed to advise on this data element.

- For the notional calculation of equity dividend swaps and similar products, DTCC believes the notional should be stated per period so as to not overstate the size of the deal. We recommend updating the notional calculation to explicitly state that Period Fixed Amount equals the Number of Share/Baskets times Period Fixed Price.

- The notional calculation of equity swaps and PSAs have a similar economic structure to CFDs. As a result, DTCC recommends that these data elements follow guidance similar to that followed by CFD in that Product of the price and the number of share or index units represent the Equity leg notional amount.

- For the notional calculation of equity swaps, PSAs, CFDs and similar products, the Equity leg notional amount should be used as the notional given that the equity exposure is the main leg of an Equity Swap. The Floating Leg covers the funding of the equity cost as opposed to the real exposure. In addition, the Floating leg notional amount is typically a reference to the Equity leg notional amount in contracts, meaning that the Floating leg notional amount derives its value from the Equity leg notional amount.

- DTCC believes that for equity swap, PSA and CFD basket structures, the notional to be calculated should be the total absolute notional of all the constituents.

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":

DTCC recommends that the current state notional, which would change throughout the life of the deal, is appropriate to report. As noted in DTCC's response to the question above regarding the data element "Notional amount" and "Notional amount schedules," the guidance appears to set the notional amount to the Initial notional in the contract. DTCC recommends that further clarity be provided regarding if both Initial Notional and Current Notional are being requested.

Regarding "Total notional quantity," DTCC recommends that "Current Notional" be reported through the life of the swap and, if deemed necessary, that "Initial Notional" be reported as the original notional of the swap at inception. However, DTCC defers to industry practitioners who are best placed to advise on this data element.

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":

DTCC recommends that under "Other payment types" a category of "Other" be defined for those payments that do not fit into the existing list but may be considered reportable.

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?

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":

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?

Other comments on the data element "Prior UTI":

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?

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

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.

(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?

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

Other comments on the data elements related to custom baskets:

Other comments