

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:

The FIX Trading Community (FIX Protocol Ltd.) thanks CPMI-IOSCO for the opportunity to provide comments on this consultation paper. The participants from FIX would like to commend CPMI-IOSCO on their continued progress in advancing the recommended reporting requirements.

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

Recommend increased precision on reporting time to a minimum of microseconds.

2.2 Execution timestamp

Comments on the data element "execution timestamp":

For execution time, it is recommended that additional time precision be made available. The format should support up to nanosecond resolution. Execution reporting at millisecond resolution is insufficient for events occurring within a modern execution venue.

In the case of cleared transaction, why not capture the novation time as an additional timestamp data point? The execution time is still relevant as the time the transaction was executed on the trading venue. Based on the functional mandate example in Annex 1, Table 2, it would seem a distinction between execution time and novation/clearing time should be made.

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 seems to clearly state final settlement.

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?

Yes, it should be made clearer with additional language to clarify for swaptions that it is the currency of the underlying swap.

Other comments on the data element "settlement currency":

We note for the record that CPMI-IOSCO is specifying a non-ISO currency code of CNH. This raises questions around how the list of non-ISO currency codes will be maintained. An alternative approach would be to consider strict adherence to the ISO currency codes and create a separate flag to denote onshore/offshore.

2.5 Confirmed

Comments on the data element "confirmed":

It seems that two concepts are being conveyed in this single element: a state of the confirmation "unconfirmed" and the method "electronic" and "non-electronic". We would suggest modeling this differently as two separate elements: a state/status and a method of confirmation.

2.6 Day count convention

Comments on the data element "day count convention":

The following list contains values supported by FIX / FIXML today. While we are able to identify 9 one-to-one mappings between the CDE list and the FIX list, without definitions for each of the CDE values it is difficult to confirm, and to identify whether other CDE values map to the other existing FIX values. Definitions should be provided for each of the CDE values.

A goal should be to create a standardized list within ISO 20022 as a code set that could be adopted by: ISO 20022 community, FIX, FpML/ISDA, and others.

The following are the enumerated values and their short and long descriptions used by FIX today:

0 = 1/1
If parties specify the Day Count Fraction to be 1/1 then in calculating the applicable amount, 1 is simply input into the calculation as the relevant Day Count Fraction. See also 2006 ISDA Definitions, Section 4.16. Day Count Fraction, paragraph (a).

1 = 30/360 (30U/360 or Bond Basis)
Mainly used in the US with the following date adjustment rules: (1) If the investment is End-Of-Month and Date1 is the last day of February and Date2 is the last day of February, then change Date2 to 30; (2) If the investment is End-Of-Month and Date1 is the last day of February, then change Date1 to 30; (3) If Date2 is 31 and Date1 is 30 or 31, then change Date2 to 30; (4) If Date1 is 31, then change Date1 to 30. See also 2006 ISDA Definitions, Section 4.16. Day Count Fraction, paragraph (f).

2 = 30/360 (SIA)
A variant of "30/360" - when Date1 and Date2 are both Feb. 28th or 29th convert them to 30th using the same logic in the conversion of 31st to 30th.

3 = 30/360M
Commonly used day count convention for US mortgage backed securities. Feb 28th (or 29th in a leap year) is always considered as a 30th for a start date. As a comparison, in the regular 30/360 day count as used by most US agency and corporate bonds, a start date of Feb 28th (or 29th in a leap year) is still considered as the 28th (or 29th) day of a month of 30 days.

4 = 30E/360 (Eurobond Basis)
Also known as 30/360 ISMA, 30S/360, or Special German. Date adjustment rules are: (1) If Date1 falls on the 31st, then change it to the 30th; (2) If Date2 falls on the 31st, then change it to the 30th. See also 2006 ISDA Definitions, Section 4.16. Day Count Fraction, paragraph (g).

5 = 30E/360 (ISDA)
Date adjustment rules are: (1) If Date1 is the last day of the month, then change Date1 to 30; (2) If D2 is the last day of the month (unless Date2 is the maturity date and Date2 is in February), then change Date2 to 30. See also 2006 ISDA Definitions, Section 4.16. Day Count Fraction, paragraph (h).

6 = Act/360

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 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 contains sufficient values and also avoids allowing the same frequency to be expressed in more than 1 way. A single way to identify a frequency will greatly avoid data quality issues and allow for easier "compares".

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

None.

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?

It should be clarified by way of the example included above.

- (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 a number of work flows within FIX there are multiple counterparties. The approach we have implemented is a repeating group of parties and a flexible structure that defines the party and the party role.

- (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?

One possible solution is for the "counterparty 2 type" to be an attribute that also allows identifying "counterparty 2" as a natural person (i.e. a 3rd value allowed).

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

Counterparty 2" allowable values state that it can be "null" if "counterparty 2 type is equal to N". However for "counterparty 1" no such statement was provided as part of the allowable values description. In the case of "counterparty 1" if "counterparty 1 type" is "N" what is expected then for an allowed value since "N" signifies that the party is not a legal entity as defined by LEI ROC.

2.13 Report-submitting entity

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

FIX uses a flexible party structure with a code set containing party roles as opposed to data elements for specific roles.

2.14 Broker of counterparty 1

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

FIX uses a flexible party structure with a code set containing party roles as opposed to data elements for specific roles.

2.15 Central counterparty

Comments on the data element "central counterparty":

FIX uses a flexible party structure with a code set containing party roles as opposed to data elements for specific roles.

2.16 Clearing member

Comments on the data element "clearing member":

FIX uses a flexible party structure with a code set containing party roles as opposed to data elements for specific roles.

2.17 Platform identifier

Comments on the data element "platform identifier":

None.

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?

It should take into account the possibility that there is no local definition of affiliated entities under the local regulation.

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)?

We suggest that the term "booked" or "booking" make references to "profit and losses" in order to clarify the term.

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

None.

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.

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

None.

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?

If the definition is 18 numbers to the right of the decimal and 13 to the left, this should be sufficient. However, if the total field is 18, of which 13 can be a decimal, this might not be sufficient.

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":

None.

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.

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

None.

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":

None.

Other comments:

None.