

## 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

FIX appreciates the opportunity to comment on this third batch of harmonisation of critical OTC derivatives data elements.

### 2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

No comments.

## 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 comments.

- (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 comments.

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

Yes

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

Alternative 2 would be the most precise in terms of ensuring data quality and leaving room for no error with regards to what is being conveyed.

Alternative 1, it is not clear what 'type' of code is being represented without an additional 'type' element to indicate this.

Given the two alternatives, alternative 2 clearly defines which element to use based on the type of code that needed to be conveyed. However, we would recommend rethinking the modeling to minimize the number of data elements by extending alternative 1 to include a 'type' indicator if the distinction is needed between code for initial margin posted and received, and variation margin.

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

No other comments.

## 2.3 Portfolio containing non-reportable component

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

No comments

## 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?

No comment

- (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 differ from the one for initial margins collected?

No comment

Other comments on the data elements related to margins:

No other comments

## 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":

Presently FIX supports a similar data element called TradeCollateralization (tag 1936). This element was added to FIX under the requirements of the CFTC Dodd-Frank Act reporting regime and contains a sub-set of the values needed by CDE:

"uncollateralized"

"partially collateralized"

"one-way collateralization"

and

"fully collateralized"

We've determined that the definitions used by the CFTC are nearly identical to the CDE ones.

Should the more granular values required by CDE be required, FIX will look to add these values for completeness in order to support our community.

## 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 counterparty 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?

While we have no comments related to the definitions of the two alternatives, we feel from a data modeling perspective, that Alternative 2 would be more precise and allows for future expansion of values should such need arise.

- (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?

See comment above.

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?

Each of these alternatives has their own merits however, the question is what data is required to be capture. Is a Boolean indicator sufficient for what is required or is the data that is needed is one that is more precise. FIX has no additional comments with regards to the advantages/disadvantages of each, but wishes to raise the question of what is the type of the data being sought by the reporting regime.

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

See above.

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):

No other comment.

### 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":

No comment.

### 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?

We believe this covers it.

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?

Percentage notation should be distinct from basis points to be more clear and to avoid errors, rather than using the value's representation to indicate whether the value is being expressed in the data element as a % or basis points.

FIX defines "percentage" notation explicitly to be expressed in decimal form, e.g. 1% = 0.01

FIX separately has a price notation type for basis points where the value is fully expressed, "10 bps" is "10".

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?

Yes. FIX supports UnitOfMeasure(tag 996)+UnitOfMeasureQty(tag 1147) which is used to express the quantity unit of measure of the underlying commodity asset, and separately PriceUnitOfMeasure(tag 1191)+PriceUnitOfMeasureQty(1192) which is used to express the unit of measure for the price should it be different than the defined contract.

- (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?

(i) yes - FIX uses a very similar list but not the exact same code values.  
(ii) to (iv) - In FIX we believe all the values we support are relevant. After comparing FIX's list of unit of measure codes with the values identified in Annex I Table 4, the following are available in FIX but not in Table 4:

Gigajoules (GJ)  
One million BTU (MMBtu)  
therms (equal to 100,000 BTU)  
Environmental allowance certificates  
Gross tons (equal to 2240 lbs - imperial tons)  
kiloliters

For the Kilowatt and Megawatt values in FIX we omit the term "capacity" from values such as "kilowatt-day" and "megawatt-hour".

We would also like to see more description for the value "Piece" in Table 4.

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

While we understand the nuances in the FX rate between CNY and CNH, we do not believe that CNH should be a currency code value used officially. CNH is not recognized by settlement systems as a valid ISO currency code.

#### 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?

Same comment as Price Notation (see comment for Q7)

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 Q8 comment related to "Price Currency" and the use of CNH.

## 2.51–2.52 Data elements related to "Exchange rate"

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

FIX has similar set of fields, for example ReturnRateFXCurrencySymbol is used to identify the equivalent of "Exchange rate basis". We prefer to identify this data point as a "currency symbol" and not a term such as "basis".

ReturnRateFXRate, for example, would be equivalent to "Exchange rate". However, we also include a "calc" field, e.g. ReturnRateFXRateCalc, which identifies whether the rate is to be "divided" or "multiplied" to other elements to determine the actual conversation value or amount.

By definition of "Exchange rate" and "Exchange rate basis" it appears that how the rate value is expressed, e.g. 0.9426 or the inverse, is implied by the value and the expression of the currency pair convention in the "Exchange rate basis" field, e.g. USD/EUR or EUR/USD. This convention may leave room for error in reporting or calculations.

## 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?

No comment.

Other comments on the data element "Notional amount" and "Notional amount schedules":

No other comment.

### 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”:

No comment.

### 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”:

No comments

## 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?

We agree this is possible.

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”:

We recommend that “Package trade price notation” description be similar to “Package trade price currency” to include “or if all the transaction that represent individual components of the package are priced separately.” - assuming that the “Price” element has corresponding “Price notation” element.

“Package trade spread” should be another value under “Package trade price notation” where spread in basis points would be the notation “spread” and existing notation values can still be used. This would eliminate 3 data elements.

## 2.72 Prior UTI

Q12: With reference to the data element “Prior UTI” (Section 2.74), how is “Prior UTI” 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?

In FIX the "event" and the "type" can be "paired" together in a given instance of our RegulatoryTradeIDGrp repeating group component. It is not necessary a "linear" expression of the IDs, but allowing for tracking of UTI/USI "current", "previous", "related", etc., based on the "event" such as "allocation", "clearing", "compression", etc.

Other comments on the data element "Prior UTI":

No other comments.

## 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?

No comments

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

No comments

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.

In the view of how FIX would normally model this, we would separate the issuer LEI information from the basket code itself. From a data aggregation standpoint, the aggregation can be done at the issuer LEI to find all custom basket issued by a particular LEI.

- (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 comments.

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

No comments.

Other comments on the data elements related to custom baskets:

In reference to 2.76 "Identifier of the basket's constituents"  
Until the details of the UPI Technical Guidance is issued it is unclear whether just using UPIs will be sufficient to identify the custom basket constituents since it may be possible in a basket to include specific securities based on ISIN.

Other comments

No other comments.