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

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the consultative report, entitled 'Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – third batch' published by the Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organization of Securities Commissions (IOSCO) in June 2017.

Our response will be limited to comments specifically on the GLEIF's views on the use of Legal Entity Identifiers (LEIs) in the report.

2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

GLEIF does not have comments on this data element.

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)?

GLEIF will not provide a response to this question.

(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.

GLEIF will not provide a response to this question.

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

GLEIF will not provide a response to this question.

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

GLEIF will not provide a response to this question.

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

GLEIF does not have comments on this data element.

2.3 Portfolio containing non-reportable component

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

GLEIF does not have comments on 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?

GLEIF will not provide responses to these questions.

(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?

GLEIF will not provide responses to these questions.

Other comments on the data elements related to margins:

GLEIF does not have comments on these data elements.

2.29 Indicator of intraday variation margin calls

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

GLEIF does not have comments on this data element.

2.30 Collateralisation category

Comments on the data element "Collateralisation category":

GLEIF does not have comments on this data element.

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?

GLEIF will not provide responses to these questions.

(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?

GLEIF will not provide responses to these questions.

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?

GLEIF will not provide responses to these questions.

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

GLEIF will not provide a response to this question.

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?

GLEIF will not provide responses to these questions.

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):

GLEIF does not have comments on these data elements.

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":

GLEIF does not have comments on this data element.

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?

GLEIF will not provide responses to these questions.

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?

GLEIF will not provide responses to these questions.

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?

GLEIF will not provide responses to these questions.

(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?

GLEIF will not provide responses to these questions.

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

GLEIF does not have comments on these data elements.

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?

GLEIF will not provide responses to these questions.

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”:

GLEIF does not have comments on these data elements.

2.51–2.52 Data elements related to “Exchange rate”

Comments on the data element “Exchange rate” and “Exchange rate basis”:

GLEIF does not have comments on these data elements.

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?

GLEIF will not provide responses to these questions.

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

GLEIF does not have comments on these data elements.

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”:

GLEIF does not have comments on these data elements.

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”:

GLEIF is pleased to see the use of the LEI proposed consistently by the Working Group in its consulative reports for Party elements such as Other Payment Payer and Other Payment Receiver in this third batch of critical OTC derivatives data elements. The LEI is fit-for-purpose to identify Party roles in a standard way internationally.

In addition, GLEIF would like to suggest that the allowable values for all Party data elements proposed in the CDE work be updated to specify that valid LEIs should be used. The specification of ‘valid’ LEIs is included in the allowable value for the Custom Basket Code data element (see response below for 2.73-2.77 – Data elements related to Custom Baskets).

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?

GLEIF will not provide responses to these questions.

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":

GLEIF does not have comments on these data elements.

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?

GLEIF will not provide responses to these questions.

Other comments on the data element "Prior UTI":

GLEIF does not have comments on this data element.

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?

GLEIF will not provide responses to these questions.

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

GLEIF will not provide responses to these questions.

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.

GLEIF will not provide a response to this question.

(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?

GLEIF will not provide responses to these questions.

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

GLEIF is pleased to see the allowable value for the Custom Basket Code data element proposed as the LEI followed by a character string for the assignment of unique codes to custom baskets as well as the important requirement for the inclusion of valid LEIs, with duly renewed LEI reference data, for this data element.

Other comments on the data elements related to custom baskets:

GLEIF has no additional comments on these data elements.

Other comments

GLEIF has no additional comments.