

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

IHS Markit's derivatives processing platforms are widely used by participants in the OTC derivatives markets today and are recognised as tools to increase operational efficiency, reduce cost, and secure legal certainty. With globally over 2,000 firms using the various MarkitSERV platforms that process, on average, 90,000 OTC derivatives transaction processing events per day they form an important element of the workflow, and also in supporting firms' compliance with several regulatory requirements across jurisdictions. Specifically, the MarkitSERV platforms facilitate the electronic confirmation of a significant portion of OTC derivatives transactions worldwide, submit them for clearing to 16 central counterparties ("CCPs") globally, and, for many counterparties, report their details to trade repositories ("TRs") in Europe, the United States, Canada, Japan, Hong Kong, Singapore and Australia.

On the basis of our derivatives processing activities we have been directly involved in data standardisation and efforts of global regulators and the industry in improving data quality. We welcome the publication of the Consultation Report and welcome regulatory and industry efforts that aim to ensure the consistent use of identifiers, including LEIs, UTIs, and UPIs, as well as other critical data elements.

We appreciate CPMI-IOSCO's efforts towards implementing a globally harmonised derivatives data reporting regime. We believe that CPMI-IOSCO should consider the following comments to ensure that a globally harmonised derivatives reporting regime is implemented at minimum cost:

a. CPMI-IOSCO should propose data standards which are in line with current industry practices wherever possible and particularly where the policy objective of the regulators is still achieved by the existing standard even if it isn't in the exact format first envisaged by regulators. Standards in the industry have evolved over time in a particular way often for good reasons which may have impacts beyond the scope of this work. As explained in our detailed comments CPMI-IOSCO should use Boolean format for data elements with binary values (True/False or 1/0), limit currency amounts to 2 decimal places etc.

b. When considering alternatives to a particular data field, CPMI-IOSCO should put significant emphasis on cost and ease of implementation. For example, see our comment on "Collateral Portfolio code".

c. If a particular data standard has already been implemented in the same manner in at least two jurisdictions and if evidence suggests that the implementation was successful then CPMI-IOSCO should adopt that standard rather than.

d. For portfolio related fields CPMI-IOSCO should avoid including fields which relate to non-OTC derivatives transactions. For example, see our comment on "Portfolio containing non-reportable component" which is beyond the scope of this work on OTC and its inclusion would further complicate reporting requirements which will impact data quality which could undermine the perceived value of this field.

e. CPMI-IOSCO should clarify issues that arise from multi-jurisdictional trades. For example, see our comment on "Indicator of intra-day variation margin calls" and "Clearing obligation in the jurisdiction of the reporting counterparty".

f. CPMI-IOSCO should consider whether a field can be effectively be harmonised across G20 countries, where not possible or practicable CPMI-IOSCO should omit the field from its final report.

g. CPMI-IOSCO should consider the benefit of each field against the cost of implementation and omit fields from its final report where the benefit to regulators does not outweigh the implementation cost.

h. CPMI-IOSCO should consider the difficulty of collecting data and implementing reporting for each field particularly where the data is not typically available or required in any regime today as this will invariably impact data quality and therefore the benefit to regulators will be reduced. Where this reduced benefit no longer outweighs the costs CPMI-IOSCO should consider omitting the field(s) from its final report.

In this first response we have responded to questions relating to fields 2.1 - 2.36 and fields 2.64 - 2.77. We shall respond to questions relating to fields 2.37 - 2.65 separately.

2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

We believe that having a collateral portfolio data field is unnecessary since this information would be captured by "Collateral portfolio code" data field (2.2.1). Requiring market participants to report an additional unnecessary field which does not provide additional information could result in data quality issues.

If CPMI-IOSCO decides to maintain this field, we believe that the format for this data field should be Boolean. A Boolean is a standard data type used in most computer programming languages, and an FpML standard. A Boolean data type is a binary variable that can have one of two possible values, 0 (false) or 1 (true).

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.

We believe this assumption to be correct.

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

No comment

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

We believe that Alternative 1 is the simpler approach with other data fields capturing the information on whether the amount specified is for Initial Margin (IM) or Variation Margin (VM).

Alternative 2, on the other hand, captures all eventualities but seems excessive particularly for firms who do not have separate portfolios for IM paid, IM received and VM.

Given the costs and benefits of implementing and maintaining each alternative and the data quality issues created by requiring the more granular breakdown, we recommend that CPMI-IOSCO adopt Alternative 1. In addition we would be strongly opposed to CPMI-IOSCO supporting both methodologies in parallel as this would be extremely costly for the industry to implement and would also have a negative impact on data quality.

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

IHS Markit believes that the "Collateral portfolio code" should be allowed to be reported both on a transaction by transaction basis and on a bulk-batch basis. This is to ensure that incremental trades added to a portfolio can be added as they are reported but that changes to the collateral portfolio can be made en masse if existing transactions are added or removed from the portfolio.

Firms with a single transaction in a portfolio should be allowed to either report:

(i) a single transaction without a portfolio code; or

(i) a single transaction with a portfolio code attached to only that trade.

even if there is another transaction in the portfolio that is a non-reportable component of a portfolio, (please see our comment in section 2.3).

2.3 Portfolio containing non-reportable component

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

The constituents of a collateral profile often change meaning that the values for this field would change over time. Reporting these changes would be burdensome, data quality would likely be poor and there is little evident policy benefit. We would advise that CPMI-IOSCO provide more insight into the rationale for this field so that we can suggest alternatives or that this field be omitted in any final report.

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?

We would question the value of this field as the difference in margin required to be posted and actual margin posted is typically because of margin disputes. Under current margin requirements firms are required to post undisputed amount while the difference between the undisputed amount and disputed amount is withheld during the dispute resolution process.

CPMI-IOSCO should clarify whether it is trying to capture the actual settlement timing or the theoretical settlement timing. Reporting actual settlement timings will be very challenging for the industry because trades can fail to settle on the settlement date which then requires corrective action. This resolution happens independently of the trade confirmation and reporting process and thus it will be extremely difficult for firms to report actual settlement timings with certainty which will impact data quality and undermine the value of this field.

We would advise that CPMI-IOSCO provide more insight into the rationale for this field so that we can suggest alternatives or that this field be omitted in any final report.

- (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:

IHS Markit has the following comments for the data fields 2.4, 2.5, 2.7, 2.8, 2.11, 2.12, 2.14, 2.15, 2.17, 2.19, 2.21, 2.23, 2.25 and 2.27:

a. CPMI-IOSCO should clarify whether these fields need to be reported at transaction level or portfolio level. We recommend that CPMI IOSCO clarify this in the definition of the respective data field.

b. We believe it is unnecessary to allow up to 5 decimal points for these data fields as payments cannot be settled in more than two decimal places. It is therefore appropriate to have a format that allows only up to 2 decimal points.

IHS Markit has the following comment for the data fields 2.6, 2.9, 2.13, 2.16, 2.18, 2.20, 2.22, 2.24, 2.26 and 2.28:

CPMI-IOSCO has allowed CNH to be included in each of these fields and referred to it as "offshore Renminbi". We believe that the currency field should be populated with an ISO currency, in this case Chinese Yuan (CNY), with the settlement location of the transaction being reported in a separate data field to reflect the location of settlement of the transaction. This is because transactions in CNY can be settled in several different locations and there are transactions in other currencies that can also be settled both onshore or in one of several offshore locations.

2.29 Indicator of intraday variation margin calls

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

We believe that CPMI-IOSCO should consider and address the time zone issues that would arise when reporting this field. For example, consider a USD/GBP cross currency swap transacted between counterparties incorporated in the US and UK respectively. There are possible scenarios where an intra-day margin call was triggered on T for the US counterparty but at T+1 for the UK counterparty. If you take this to more extreme time zone gaps e.g. US versus New Zealand then the definition of T itself would often differ for both parties. If the intent is that time zones are considered only in the context of UTC then this should be clear in the final guidance.

Should this field be required we believe that the format for this data field should be a Boolean.

2.30 Collateralisation category

Comments on the data element "Collateralisation category":

The current reporting standard for "Collateralisation category" reporting field is to report one of Uncollateralised (UC), Partially Collateralised (PC), One-way Collateralised (OC) or Fully Collateralised (FC) as applicable. This standard is used in most jurisdictions today albeit with some unfortunate differences in the definition of the allowable values between jurisdictions, meaning that different values need to be reported for the same trades in different jurisdictions.

We recommend a simplified approach that would convey the same information as CPMI-IOSCO is seeking through its "collateralisation category" reporting proposals, as the proposed definitions are complex. We propose a framework where counterparties to the trade should be required to report Boolean values (True (1) and False (0)) for the following 4 fields:

- (i) Counterparty 1 posts IM
- (ii) Counterparty 2 posts IM
- (iii) Counterparty 1 posts VM
- (iv) Counterparty 2 posts VM

We proposed this framework at the CPMI-IOSCO round-table in Washington on 12 July 2017 and it was well received by the panel, regulators and industry alike.

We note that CPMI-IOSCO as designated counterparty 1 as the reporting counterparty under Batch 2. We note that it could be a challenge for regimes where multiple parties report and for cross-border trades where multiple parties report in different jurisdictions.

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?

We believe that close out netting provisions are standard in ISDA master agreements with netting opinions for most jurisdictions in place.

Also we believe that uncleared margin requirements have prevented the use of threshold triggers so the prevalence of the use of triggers has much reduced.

- (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?

We believe that CPMI-IOSCO should omit this field from any final report as there is little value in introducing either alternative. However, should CPMI-IOSCO decide to proceed with this field we would note that alternative 2 is complex and covers all eventualities but would be significantly more costly to implement with potential implications on data quality. We believe that implementing alternative 1 is more practicable.

If CPMI-IOSCO decides to implement alternative 1 we believe that the format for this data field should be Boolean.

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?

We believe that CPMI-IOSCO should omit this field from any final report as there is little value in introducing either alternative. However, should CPMI-IOSCO decide to proceed with this field we would note that alternative 2 is complex and covers all eventualities but would be significantly more costly to implement with potential implications on data quality. We believe that implementing alternative 1 is more practicable.

Not all market participants have easily accessible electronic representations of the data contained in their CSAs that can be extracted and re-purposed in this manner. It may take significant effort to build and maintain such capability.

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):

Please see below for IHS Markit's comments on:

a. Data field 2.34 - We believe that having a threshold rating for automatic termination provisions, including a defined list of values is unnecessarily complicated. This will create a need for reporting updates and creates a standard that is not future proof. For example:

- If one rating agency downgrades a counterparty but another doesn't different contracts could treat this differently
- If a rating agency is replaced by another rating agency reports will need to be updated to reflect this change.

We would urge CPMI-IOSCO to consider the value of these fields in the context of the costs and data quality issues that maybe created by introducing them.

b. Data field 2.35 - We believe it is unnecessary to allow up to 5 decimal points for this data field as payments cannot be settled in more than 2 decimal places.

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":

We believe the the applicability of mandatory clearing to a particular transaction can be derived from other data elements which are reported, and therefore we consider the data element 2.36 to be duplicative and therefore unnecessary. Further, we believe that should the field be maintained the definition of "Clearing obligation in the jurisdiction of the reporting counterparty" is not sufficient for the following reasons:

a. The field, as defined by CPMI-IOSCO refers to the clearing obligation in the reporting counterparty's jurisdiction. We believe that the definition does not take into account transactions with counterparties from different jurisdictions and the differences in the clearing obligation mandate in these jurisdictions. Furthermore, the contract specification for the clearing obligation usually differs in the level of granularity in different jurisdictions. Therefore, it would be difficult for market participants to ascertain whether the non-reporting counterparty would be subject to the clearing obligation under the rules of the jurisdiction of the reporting counterparty.

b. The definition also does not take into account the exemptions from the clearing obligation that a counterparty can be subject to in a jurisdiction.

c. The reporting counterparty may be subject to multiple jurisdictions and could be obligated to clear in one jurisdiction and not another, in which case it would be unclear whether this field should be populated with true or false.

d. It is unclear how data aggregation would work on this field.

We therefore believe that, if required, it would be better to have a data field that lists the jurisdictions in which a particular reportable transaction is subject to the clearing obligation mandate. Finally if maintained in its current form we believe that the format for this data field should be a Boolean. A Boolean is a standard data type used in most computer programming languages, and an FpML standard. A Boolean data type is a binary variable that can have one of two possible values, 0 (false) or 1 (true).

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?

No comment

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?

No comment

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?

No comment

- (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":

No comment

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":

No comment

2.51–2.52 Data elements related to "Exchange rate"

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

No comment

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 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 comment

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 believe that CPMI-IOSCO should provide more clarity on the package trade price data field. We believe there are a number of different ways in which the price of a package trade can be expressed. For example, in OTC interest rates derivative packages it can be expressed as a spread where the basis points (bps) difference between the two rates.

a. A bond spread, for example a 5yr spread over treasuries in the US could have a package price of 15bps. So “buy 5s over 15” would be buy the 5yr IRS at the treasuries price + 15bps, you may or may not trade the actual underlying bond. If you don’t then the bond price would be agreed based upon the prevailing market price of the bond.

b. A swap spread, for example a 2yr-5yr [swap] spread could have a package price of 25bps. So “buy the 5s at 25” would be buy the 5yr IRS sell the 2yr IRS with the price difference being 25 basis points

c. A butterfly, for example a 2yr-5yr-10yr [swap] butterfly could have a package price of 10bps. So “buy at 10” would be buy the 5yr IRS sell the 2yr IRS and the 10yr IRS with the price difference being 10 basis points. What you won’t know is where the 10bps comes from unless you know the market, in theory the 2yr-5yr could be flat and the 5yr-10yr could be the whole 10bps or the 10bps could be a mix of both wings.

Furthermore, simpler interest rate swap packages such as these typically have both a package price and an individual component price embedded within the core economics of each component trade. E.g. fixed rate on a vanilla IRS.

In all cases the package price could be negative, for example if the yield curve is inverted or in the above butterfly example if the 5yr IRS was 1.00%, the 2yr 0.88% and the 10yr 0.92% the price would be minus 20bps.

We understand the desire of CPMI-IOSCO to understand that certain trades that are part of packages so if the underlying components are “off-market” they can understand why, but would question the actual benefit of tracking the package price as in many examples knowing the spread is relevant only if you track the spread price and it doesn’t help you determine the outright because you are trading reference points.

Finally we would respectfully remind CPMI-IOSCO that there can be more than two parties to a package and each counterparty may only be part of a subset of components, making matching and aggregation of package information very challenging. Taking a simple case a venue may arrange a swap butterfly 2-5-10 where party A buys [the 5s], party B has an outright IRS buying the 2s and party C has a 5-10 swap spread buying the 10s. Party B won’t realise he has a package, Party A has a butterfly and party C has a swap spread.

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”:

Please see below for our comments on:

a. Data field - 2.64 “Package ID” - We believe that there are existing regulations (complex trade component ID under EMIR and MiFIR) and also standards used by TRs and in FpML. So we recommend that CPMI-IOSCO consider these existing standards.

b. Data field 2.65 - We believe that this field is unnecessary and is beyond the scope of this consultation as it refers to components not covered under OTC reporting regulations. If this field is maintained the format for this data field should be Boolean.

c. Data field 2.67 - We recommend that the definition of the package trade price currency be amended to reflect that the price of a package trade can be in spread, basis points and percentages in which case this field would not be applicable. Furthermore, CPMI-IOSCO has allowed CNH to be included in the allowable values for this field and referred to it as “offshore Renminbi”. We believe that the currency field should be populated with an ISO currency, in this case Chinese Yuan (CNY), with the settlement location of the transaction being reported in a separate data field to reflect the location of settlement of the transaction. This is because transactions in CNY can be settled in several different locations and there are transactions in other currencies that can also be settled in one of many locations.

d. Data field 2.68 - The allowable values for the package trade price notation should include spread or basis points unless the expectation is that these would always be converted to a percentage.

e. Data field 2.69 - The existing FpML standard is to provide this data as a decimal not a percentage e.g. 0.0257 instead of 2.57%.

f. Data field 2.70 - We recommend that the definition of the package trade price currency be amended to reflect that the price of a package trade can be in spread, basis points and percentages in which case this field would not be applicable. That is if the package trade spread price notation = 2 then this field is not applicable. Furthermore, CPMI-IOSCO has allowed CNH to be included in the allowable values for this field and referred to it as “offshore Renminbi”. We believe that the currency field should be populated with an ISO currency, in this case Chinese Yuan (CNY), with the settlement location of the transaction being reported in a separate data field to reflect the location of settlement of the transaction. This is because transactions in CNY can be settled in several different locations and there are transactions in other currencies that can also be settled in one of many locations.

g. Data field 2.71 - We believe that typically a spread would be quoted in basis points but the existing FpML standard is to provide this data as a decimal not a percentage e.g. 0.0257 in the example provided.

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?

We believe that clearing and allocation of trades do not happen at the same time. There are three main scenarios to consider:

a. A trade is executed as a block transaction but with the allocation details agreed upfront. In this case there will be an executed block trade, and n alpha allocation trades between the executing parties that clear individually and post clearing these are replaced by n beta trades between counterparty A and the CCP and n gamma trades between counterparties Bi (where i=1, 2,n) and the CCP. The prior UTI usage is as follows:

- i) the alpha allocations will have a prior UTI of the alpha block
- ii) each beta and gamma allocation has a prior UTI of the corresponding alpha allocation

b. A trade is executed as a block without the allocation details agreed upfront but the allocation happens prior to clearing. In this case there will be an alpha block trade which will subsequently be replaced by n alpha trades between the executing counterparties that clear individually and post clearing these are replaced by n beta trades between party A and the CCP and n gamma trades between parties Bi (where i=1, 2,n) and the CCP. The prior UTI usage is as follows:

- i) the alpha allocations will have a prior UTI of the alpha block
- ii) each beta and gamma allocation has a prior UTI of the corresponding alpha allocation

c. A trade can be executed as a block transaction without the allocation details agreed upfront where the block clears and then the allocation occurs post clearing. In this case there will be an alpha block trade which will subsequently be replaced by a beta block trade between party A and the CCP and a gamma block trade between party B and the CCP. Post allocation the gamma block trade is replaced by n gamma trades between parties Bi (where i=1, 2,n) and the CCP (assuming the allocating client is party B). The prior UTI usage is as follows:

- i) the beta and gamma block will have a prior UTI of the alpha block
- ii) each gamma allocation has a prior UTI of the corresponding alpha allocation

Where a client is not a direct clearing member and therefore uses a clearing broker the gamma allocations would in fact be between the CCP and the clearing broker(s) and there would be back to back trades between the clearing broker(s) and each client fund.

Furthermore, we understand that clearing and compression do not happen at the same time. The compression or netting would occur after the clearing even if immediately after; it is not simultaneous and each trade created in each step would be linked using prior UTI and bulk processing ID as applicable.

Other comments on the data element "Prior UTI":

We agree with CPMI-IOSCO that the prior UTI should be used to reference parental linkage on child trades. Furthermore, multiple prior UTIs should be allowed e.g. for a block trade whose allocation is in fact the novation of an existing transaction the corresponding child trade would have two prior UTIs; the block's UTI and the UTI of the original trade that was novated as part of the execution of the block and subsequent allocation to novate a legacy position.

We also agree that prior UTI should not be used to reference bulk events e.g. compressions where the termination of many trades and possible creation of residual trade(s) should be linked by a bulk processing ID and not the use of prior UTIs.

Prior UTIs carry the linkage to the previous level and should not look back to multiple historical levels e.g. a trade that is novated and then subsequently novated again should only carry the prior UTI of the intermediate trade on the new transaction not the prior UTI of the very original transaction.

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?

We support CPMI-IOSCO's approach of pointing to a reference list of units of measure for this data element but would suggest the technical guidance refer to a list which is easily updated and informed and governed by derivatives industry experts as it is unlikely that the current list is sufficient.

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

No comment

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.

We believe that, by design, baskets are bespoke and customised to the requirements of the client. Therefore there is little value in adding a "Custom basket code" on such baskets, as each would be unique and even if there were two identical baskets between different counterparties they would by definition have different basket identifiers.

Furthermore, including a "custom basket code" using the LEI of a counterparty to the trade as a constituent of such a code could give rise to data privacy issues.

- (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?

Should CPMI-IOSCO maintain this requirement we recommend that it keep the LEI and code separate and we believe that 52 characters would be sufficient for this code.

Other comments on the data elements related to custom baskets:

No comment

Other comments