Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – second batch – consultative report

Respondent name:	London Stock Exchange Group
Contact person:	
Contact details:	

Please flag if you do not wish your comments to be published. Otherwise, this form filled out with your comments will be published on the websites of the BIS and IOSCO. ☐

General comments on the report:

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

General comments on Reporting an Execution timestamp - Dates and times are a collection of numbers. We believe that appending a "Z", as proposed by CPMI-IOSCO is not relevant to how the data is stored in a database. It is merely additional information about the time zone. Therefore we suggest the "Z" is not a part of the timestamp format. Further regarding the reporting timestamp, we believe that it should be generated by the repository itself, as this is guaranteed to be the correct date and time the report was received. It should not be populated by the reporting firm as it potentially allows for inaccurate data to be submitted and stored.

2.2 Execution timestamp

Comments on the data element “execution timestamp”:

General comments on Reporting an Execution timestamp - Dates and times are a collection of numbers. We believe that appending a “Z”, as proposed by CPMI-IOSCO is not relevant to how the data is stored in a database. It is merely additional information about the time zone. Therefore we suggest the “Z” is not a part of the timestamp format. Further regarding the reporting timestamp, we believe that it should be generated by the repository itself, as this is guaranteed to be the correct date and time the report was received. It should not be populated by the reporting firm as it potentially allows for inaccurate data to be submitted and stored.

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?

Other comments on the data element “final settlement date”:

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?

We believe it is sufficiently clear that the settlement currency of swaptions is the currency of the underlying swap.

Other comments on the data element "settlement currency":

2.5 Confirmed

Comments on the data element "confirmed":

2.6 Day count convention

Comments on the data element “day count convention”:

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?

We find the advantages attached to the alternative 1 to be more significant and would therefore prefer this option.

(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?

Assumption should not be made that values are most relevant for OTC; as instruments become more complex there is an increasing focus for more granularity. For consistency we suggest that alternative 1 is considered.

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

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?

We strongly support the use of the LEI, the only truly globally adopted option, as the sole identifier for Counterparty 1. Unlike Counterparty 2 Type, we do not agree with the requirement for a Counterparty 1 Type. We believe this field is redundant as all Counterparty 1 Codes should be valid LEIs.

If the only purpose of the field is to distinguish the small minority of cases where a sub-fund is involved, we would question whether the distinction between sub-fund and umbrella fund, and the associated impact on systemic risk, justifies the inclusion of this field at all. We understand, however, that this depends on the definition of "Counterparty 2" - taking the example of SIPPs or 'bare trusts' in the UK, there would be value in the beneficiary field if the individual(s) were not identified as "Counterparty 2".

(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?

We are aware that sometimes the Counterparty is a joint account – i.e. two or more individuals. In such cases, maybe Counterparty 2 needs to be a repeatable field.

(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?

We suggest the national identifier standards chosen for MiFIR transaction reporting are adopted, or are used as the basis of an identification scheme for individuals.

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

2.13 Report-submitting entity

Comments on the data element “report-submitting entity”:

2.14 Broker of counterparty 1

Comments on the data element “broker of counterparty 1”:

2.15 Central counterparty

Comments on the data element “central counterparty”:

2.16 Clearing member

Comments on the data element "clearing member":

2.17 Platform identifier

Comments on the data element "platform identifier":

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?

We see no logical justification for the value of 'XOFF' being permissible. We would also note that the EU concepts of 'Organised Trading Facility' and 'Systematic Internaliser' should be consider in formulating standards/requirements for these fields (unique MICs will be available for both). We believe that participants would welcome further clarity on the definition of 'platform' and 'trading facility' as these terms mean different things to different market participants. For example, some participants believe they could use a 'platform' to access an exchange.

Other comments on the data element "inter-affiliate":

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)?

No. We would suggest further definition on what constitutes 'booked' is required.

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

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"?

We believe that it is sufficiently clear who is being referred to.

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

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?

Yes. We would suggest a currency notation is also required where notation is NUMBER and we believe the ISO 4217 alpha currency code is the appropriate standard. Additionally, it may be useful to suggest the strike price is in the major currency when a number is quoted.

Other comments on the data elements “strike price” and “strike price notation”:

2.23 Option lockout period

Comments on the data element “option lockout period”:

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?

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

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":

Other comments: