

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

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| Respondent name: | London Stock Exchange Group |
| Contact person:  | Beata Sivak                 |
| Contact details: | bsivak@lseg.com             |

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### General comments on the report

London Stock Exchange Group ("LSEG") supports the aim of the CPMI-IOSCO Harmonisation Group to enable the consistent global aggregation of derivatives transaction data. We also agree that instrument identification and classification are essential components in facilitating this aggregation. We are offering following comments, where we draw from our experience as a financial market infrastructure provider, and a Trade Repository ("TR") and a Central Counterparty ("CCP") in particular.

The document and definitions are written almost exclusively from the perspective of the bilateral market e.g. reference to Master Agreement's Credit Support Annex. We believe that guidance needs to account for the cleared segment of the market in terms of definitions and to recognise that the structures within the cleared market may be different to those in the uncleared.

Considering the collateral fields as a whole, the definitions should account for the following considerations:

1. Consistency of reporting e.g. "end of day".  
We encourage the Harmonisation group to aim for data to be reported at a consistent point in the business process across all participants. For example if the requirement is to report end of day values then end of day needs to be defined clearly. Our recommendation is that a logical end of day point is used (rather than a specific time point) which reflect the completion of all processing for the business date being reported.
2. Segregation between collateral.  
Within clearing there are accounts at a position, margin and collateral level. Different segregation models result in different levels of segregation between collateral, margin i.e. obligations and positions. Depending on the purposes for which the data is required, information about only one layer of the account may not provide a complete representation.
3. Confusion between initial margin liability i.e. the margin requirement and initial margin collateral i.e. the collateral delivered to meet the margin requirement.  
We recommend that the collateral related fields are more explicitly described to refer to the collateral posted or received to cover a requirement rather than simply referring to 'initial margin'.
4. Collateral received.  
From a CCP perspective, it may be simpler to consider collateral received as the collateral for which the CCP is giving cover value. This may help provide a clear and consistent interpretation and avoid confusion over how to treat scenarios such as the following:
  - i. Where the CCP has received an irrevocable commitment by the member to deliver collateral, but the physical delivery has not yet been completed.
  - ii. Where a clearing member has requested withdrawal of collateral (resulting in the collateral being removed from cover value), but the physical delivery back to the member has not yet completed.
5. Excess collateral.  
From a CCP perspective, excess collateral is typically only calculated in the context of cover value – i.e. post haircut values. Pre haircut excess values may not be easily available, depending on the processing methodology of the CCP.

### 2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

NA

## 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)?

### Field 2.2 – Collateral portfolio code

We suggest that the Harmonisation Group considers the Alternative 1: one single data element. The concept of a single data element has shown to work well in EMIR trade reporting and movement to three data elements seems overly complex and irrelevant to many derivative scenarios.

This question appears very specific to the bilateral market – in a cleared context, variation margins typically a pass through, but collateral received and held by the CCP may cover obligations such as initial margin, default funds, liquidity obligations etc. Currently this doesn't appear to be accounted for in the proposed definitions.

- (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.

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

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

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

## 2.3 Portfolio containing non-reportable component

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

## 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?

### Field 2.10 – Initial margin settlement timing

From the perspective of a CCP, any collateral as received would not be reported, unless delivery had been settled or delivery has been irrevocably committed. As such, the settlement lack from a CCP perspective would always be 0. This field may not be necessary if there are explicit definitions of received vs. posted.

- (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?

Other comments on the data elements related to margins:

Initial Margin (further to point 3 in general comments above)

The proposed model appears to define collateral received as either covering initial margin obligations or variation margin obligations. From the context of clearing this is overly simplistic and collateral is delivered to cover other obligations e.g. default fund, liquidity obligations. These are not included in the definitions leaving some scope for different interpretations.

Several fields – Variation margin

In the context of clearing VM is a pass through and not held by the CCP. The proposed reporting model does not reference contingent variation margin (“CVM”) which applies to some clearing services – to have a complete picture of the cleared section of the market CVM should be clearly defined within the structure. Without this granularity it may be difficult for cross service / product comparisons to be made.

Field 2.5, 2.8, 2.12, 2.15 – Post Haircut values

We question whether it would be relevant, from the perspective of the party posting collateral, to ask this party to report a post haircut value. We believe it would be more appropriate for the receiver of collateral to report the post haircut value of the collateral received.

Several fields – Margin Posted

Guidance should be provided with respect to the impact of any transit time between the instruction and delivery of collateral. i.e. whether to include all collateral instructed for delivery or recognise what collateral has been delivered.

Field 2.7 – Initial margin collected

We would appreciate clarity with regards to whether this attribute is intended to reflect initial margin received vs. posted.

Field 2.11 Variation Margin posted

From a CCP perspective, variation margin is the daily change, total current value is mark to market value.

## 2.29 Indicator of intraday variation margin calls

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

Field 2.29 – Indicator of intraday variation margin calls.  
It is unclear why this attribute is included only for VM and not for initial margin. From an LCH perspective VM is settled only at end of day ("EoD") – but changes to market value are included in the intraday margin requirement. We believe that this creates some confusion as to how to populate this field.

## 2.30 Collateralisation category

Comments on the data element "Collateralisation category":

## 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?

**Field 2.31 – Counterparty trigger indicator**

We believe that none of the proposed options represent the context of clearing.

- (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?

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?

**Field 2.32 – Counterparty rating threshold**

We recommend that the Harmonisation group adopts the Alternative 1. CCPs have their own credit rating models, hence Alternative 2 is not viable.

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

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?

**Field 2.33 – Incremental collateral required**

We question the need of this level of detail. We believe it would be better to seek the individual components of IM to be reported, to understand what multipliers or add-ons are included.

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):

### 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":

**Field 2.36 – Clearing obligation in the jurisdiction of the reporting counterparty**  
Guidance should be provided as to how this field should be reported for cleared trades. "No" appears to be the appropriate answer as the clearing obligation doesn't apply to a cleared trade (only to an uncleared trade)

## 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?

### Field 2.37 – Price

We agree that ‘price’ is not applicable to the list of derivative types listed. However, we strongly believe that the industry would benefit from a much tighter definition than the one provided. For example, we are unsure exactly what ‘initial price’ might be for CFDs and whether it is the same as ‘reference price’ which is commonly associated with equity CFDs and spreadbets. Ideally, we would like to see definitions for each asset type.

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?

### Field 2.40 Price notation

We believe the data element ‘price notation’ is clear and unambiguous.

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?

- (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?

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

#### 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?

Field 2.50, 2.61 – Option premium payment date, Other payment date  
Clarification needs to be provided as to whether the dates reported should be adjusted or unadjusted for business date conventions i.e. non working days.

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":

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

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

#### 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?

Field 2.53 – Notional amount

We question the need of a notional amount for options, equity CFDs etc., as this should all be contained in price or strike price, quantity and price multiplier. Not all the derivative types are included in 2.53 (e.g. spreadbets). We believe that “Notional amount” is a very swaps/forwards focussed term and does not have any application to other derivative types.

Other comments on the data element “Notional amount” and “Notional amount schedules”:

### 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”:

### 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”:

Field 2.50, 2.61 – Option premium payment date, Other payment date  
Clarification needs to be provided as to whether the dates reported should be adjusted or unadjusted for business date conventions i.e. non working days.

## 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?

### Field 2.64 – Package ID

Our current assumption is that packages do not apply to allocation. To ensure this is widely understood, we believe that further clarification is needed.

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”:

## 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?

Field 2.72 – Prior UTI (for one-to-one and one-to-many relations between transactions)

Clearing either occurs pre or post allocation, thus we are not aware of these being simultaneous processes. With respect to compression, trades typically compress into positions at end of day – and therefore we believe that this should be identifiable through trade and position UTIs.

Other comments on the data element "Prior UTI":

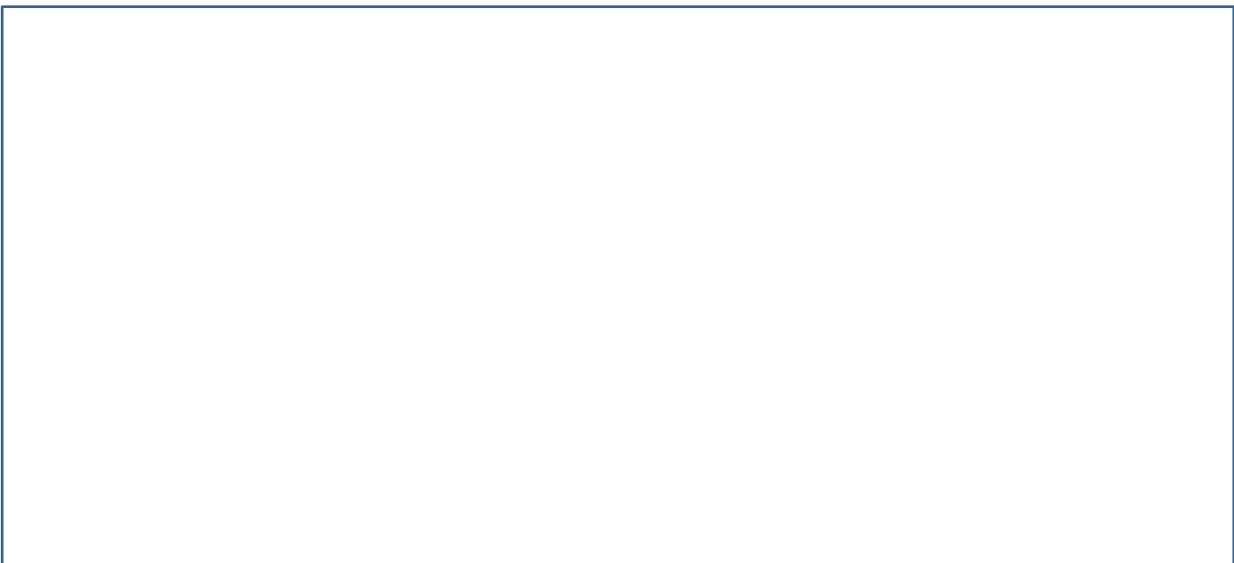
### 2.73–2.77 Data elements related to "Custom baskets"

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?

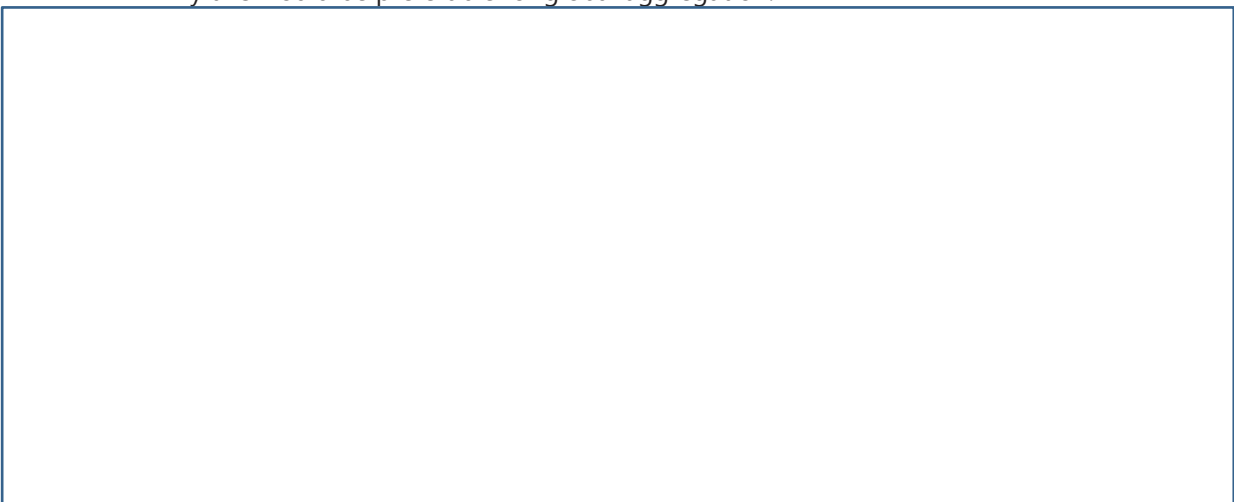


(b) Are there other values that should be added? Which ones, and why?



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.



- (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?

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

Other comments on the data elements related to custom baskets:

Other comments