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

Respondent name:	SWIFT
Contact person:	Natasha de Terán
Contact details:	Natasha.DETERAN@swift.com

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

General comments on the report

SWIFT thanks CPMI-IOSCO for the opportunity to provide comments on the Consultative Report on the "Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – third batch".

SWIFT is a member-owned cooperative headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholders, comprising over 2,000 financial institutions. We connect more than 11,000 connected firms, in more than 200 countries and territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

SWIFT strongly supports the work being carried out by CPMI-IOSCO to harmonise critical OTC derivatives data elements. This harmonisation is essential to ensure the globally consistent and meaningful aggregation of data on OTC derivatives transactions.

The current consultative report on the third batch of critical OTC derivatives data elements (other than UTI and UPI) refers to data elements that are available in the ISO 20022 standard. SWIFT welcomes this because the ISO 20022 standard is being embraced by supervisors across the world as a preferred format for data reporting purposes. The data model which lies at the heart of the standard is the ideal reference point to help regulators, market overseers and reporting firms to harvest, aggregate and interpret data which is unambiguous, clear and equivalent, irrespective of its source. ISO 20022 is particularly appropriate for use in regulatory initiatives because it is an open and transparently-governed standard that is platform-neutral, and free to access, implement, and extend. It provides a universally-agreed language that can be shared by business, legal, and technical experts, greatly simplifying the interpretation and implementation of any regulation defined in that language.

Reporting requirements that reference ISO 20022's business concept and business process definitions allow implementers to easily understand the context in which the regulation is applicable, as well as its detailed data specifications. The rigour and precision of the definitions found in the ISO 20022 business model make it a particularly suitable resource to ensure that data elements specified in a regulatory reporting context are interpreted consistently by implementers. In addition, once the data elements for a business process have been identified, it is straightforward to create a message definition that can be used to transport the data. Furthermore, it is possible to distinguish between common definitions that are relevant to all markets, or that are only relevant in regional or specific national contexts. This facilitates tailored reporting at regional or national level, whilst also allowing data to be aggregated internationally where ISO 20022 is in use.

In terms of the harmonisation work underway, SWIFT would like to highlight two of the critical OTC derivatives data elements included in the third batch for additional comment. First, the Boolean 'true-false' indicator is known to be clearly preferred by the industry over the use of 'Y / N' allowable values in many implementations of xml syntax, although in ISO 20022 both are available, equally valid, and potentially acceptable. We therefore recommend replacing all data elements (specified in sections: 2.1; 2.3; 2.29; 2.31; 2.32; 2.36, and 2.65) that currently propose the use of 'Y/N' with the Boolean 'true-false' indicator.

The second element requiring attention relates to the currency. In ISO 20022, amount elements always include a currency code as it is not acceptable to specify a monetary amount without specifying the corresponding currency. There is therefore no need to add an element for currency without an amount, and to do so might create confusion in the industry.

2.1 Collateral portfolio

Comments on the data element "collateral portfolio":

N/A

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)?

N/A

(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.

N/A

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

N/A

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

N/A

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

N/A

2.3 Portfolio containing non-reportable component

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

N/A

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?

(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?

Other comments on the data elements related to margins:

SWIFT agrees that the precise date and time both of the determination of the initial margin and its subsequent posting should be clearly stated. With reference to question 2a, SWIFT believes that an alternative way of representing this information should be considered. ISO 20022 separates the definition of core business concepts such as ‘settlement date’ from the context in which they are used. These definitions are known as ‘business elements’. Additional qualifying information such as ‘planned settlement date’ or ‘actual settlement date’ could also be added when the concept is referenced in a message specification. These definitions are known as ‘message elements’. This convention allows a clear set of business definitions to be provided that is not affected by implementation concerns, and we recommend it be used in this case.

2.29 Indicator of intraday variation margin calls

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

N/A

2.30 Collateralisation category

Comments on the data element "Collateralisation category":

N/A

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?

N/A

(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?

N/A

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?

N/A

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

N/A

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?

N/A

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):

N/A

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":

N/A

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?

For the sake of consistency and clarity, SWIFT proposes an alternative solution in preference to simply adding new data elements to messages. In the ISO 20022 business model the price data element is always clearly linked to the instrument it refers to, and it can include additional attributes – such as "spread" etc – ensuring that the price data can be expressed and understood accurately in all contexts.

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?

With reference to the first part of question 7, the notation that applies to each price is indeed clear. ISO 20022 includes a mechanism to represent this distinction formally which may be helpful. In securities operations the industry uses the data element "Price notation", which is defined in ISO 20022 as a message element linked to the instrument type – see our response to Question 6. This element's data definition indicates a choice between amount or percentage, which makes the price notation clear and unambiguous. We believe that ISO 20022 caters for all relevant price notations.

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?

N/A

(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?

N/A

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

N/A

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?

Please refer to our response to Question 7.

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":

N/A

2.51–2.52 Data elements related to "Exchange rate"

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

N/A

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?

N/A

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

N/A

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":

N/A

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":

N/A

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?

N/A

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":

N/A

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?

N/A

Other comments on the data element "Prior UTI":

N/A

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?

N/A

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

N/A

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.

N/A

(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?

N/A

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

N/A

Other comments on the data elements related to custom baskets:

N/A

Other comments

N/A