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Committee on Payment and Settlement Systems (CPSS)
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International Organization of Securities Commissions (IOSCO)
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September 23, 2011

Re: The Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) consultative report on OTC derivatives data reporting and aggregation requirements

Dear Sir or Madam,

Deutsche Bank welcomes the opportunity to respond to the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) consultative report on OTC derivatives data reporting and aggregation requirements. We support CPSS and IOSCO's work regarding recommendations for market participants reporting to trade repositories and for trade repositories reporting both to the public and to regulators. Centralizing the collection, storage, and dissemination of OTC derivatives data at trade repositories can contribute to better assessing systemic risk and financial stability, discouraging market abuse, and enhancing market transparency.

We share the regulatory objectives outlined in the report but believe that greater consideration needs to be given to the real practicalities of data collection. The scope of collection needs to be sufficiently focused and should target quality of information over quantity in order to permit regulators to meet specific regulatory objectives and concerns.



Data gaps

- We agree that greater transparency for regulators regarding the various types of information described in the report would be helpful for assessing systemic risk and financial stability. However, the proposals for additional data requirements outlined in the report would lead to the generation of substantial volumes of data which may not ultimately allow regulators to obtain a clear picture of risk concentration. Regulators should work with industry to establish more effective and efficient ways of delivering access to risk information.
- To get a clearer picture of risk concentration, we believe regulators should consider looking at data on a portfolio basis to enable the assessment of risk across multiple products/asset classes. Transaction-level data will not allow regulators to see whether a particular transaction has an offsetting hedge.
- Under the data gaps section, emphasis is placed on exposure and risk data, which it is acknowledged needs to take account of collateral, valuations (which are subjective in nature) and default netting. We see some inherent difficulties with the collation of comprehensive data sets outside those mentioned in the report.
 - Reporting of centrally cleared OTC derivatives transactions to trade repositories under Dodd-Frank and EMIR will be done by the executing parties and not the clearing members; however, the application of collateral and default netting takes place at the clearing firm and not the executing firm. This may be further complicated at times when more complex relationship structures exist, for example with introducing brokers or tri-partite agreements.
 - Factors other than OTC derivatives contribute to any risk calculation, including the calculation of exposure to an issuer or to a counterparty; and it is the purpose of existing interlinked risk management systems to combine these views.
- We question the effectiveness of regulators seeking to replicate such assessments and would urge a more interactive dialogue with the industry to establish a more efficient way to obtain this risk information.
- There are already mechanisms in place to provide regulators with a picture of risk concentration and counterparty exposure. It is important that any new reporting requirements minimise duplication and prevent overlaps of existing reporting requirements, while being globally consistent in format and requirements across products and asset classes.
- Regarding collateralization information, ISDA's roadmap for collateral management addresses previous regulatory concerns surrounding collateral management. For



example, ISDA's roadmap has resulted in improvements to bilateral risk management practices such as the implementation of standardized methods for reconciling portfolios and resolving disputed margin calls. Together with the standards and requirements to pass margin and collateral set out in Dodd-Frank, EMIR and similar initiatives, we consider that the area of collateral is adequately covered.

- Finally, it should be noted that the data described in the report as filling data gaps amounts to a substantial quantity of data. As a consequence, providing this data would impose large operational and technological burdens on both market participants and the receivers of the information. As a result of the incompleteness of this data at present, banks and receivers of the data are likely to face a significant number of follow-up inquiries initially.

International legal identifiers (LEIs)

- We fully support the introduction of a global system of LEIs.
- We refer to the response submitted by SIFMA to CPSS-IOSCO regarding this report and fully support the views expressed therein.

International product classification system

- We fully support the development of a standard product classification system, and note that the industry has already made progress advancing this initiative. ISDA has established a working group to address product classification made up of expert industry professionals with experience of financial products across asset classes. We refer to the update provided by ISDA to regulators on September 8, 2011 as well as the initial "white paper" response submitted by ISDA in April 2011 and the subsequent detailed Unique Product Identifier (UPI) proposal.
- Political support for global harmonization and a commitment to adhere to global standards are vital for the success of such a system. Without this support, the prospects for developing standards and implementing an international product classification system are significantly weakened.
- Further development of this system should be a collaboration of industry with regulators.



Other comments

- We highlight the crucial importance of the Task Force's recommendation regarding public dissemination of data and confidentiality:

The Task Force also recommends that, whichever the method of public dissemination chosen by a jurisdiction for TRs (i.e., an aggregate or more granular form), due regard must be taken to preserve the confidentiality of reporting firms and counterparties, and public dissemination of data should not allow the identification of counterparties to such data.

- We strongly support that the responsibility for defining principles addressing access to data be assigned to the FSB.
- International coordination regarding extraterritoriality is also essential in order to preserve confidentiality while ensuring unfettered access for appropriate institutions.

We appreciate the opportunity to submit our views on the recommendations set forth in the consultative report for your consideration. Please do not hesitate to contact us should you have questions or if we can provide any more detail.

Sincerely yours,

Daniel Trinder
Global Head of Regulatory Policy