

Mr Greg Tanzer  
Secretary General  
IOSCO  
Calle Oquendo 12  
28006 Madrid  
Spain  
Email: [OTC-Data-Report@iosco.org](mailto:OTC-Data-Report@iosco.org)

Mr Daniel Heller  
Head of Secretariat  
CPSS  
Bank for International Settlements  
4002 Basel  
Switzerland  
Email: [cpss@bis.org](mailto:cpss@bis.org)

Brussels, 27 September 2011

**Subject : CPSS-IOSCO Report on requirements for OTC derivatives data reporting and aggregation**

Dear Mr Tanzer and Mr Heller,

The European Banking Federation (EBF) welcomes your consultation report on OTC derivatives data reporting and aggregation. It is the longstanding view of the EBF that Trade Repositories (TRs) play an important role in enhancing the transparency of information on OTC derivatives data, in promoting financial stability and in assisting in the detection and prevention of market abuse<sup>1</sup>. Furthermore, the Federation considers that an agreement on international standards for TRs is urgently needed.

Before discussing the CPSS-IOSCO report in more detail, the Federation would like to set the scene by recalling five important principles for the industry:

- Any initiative on data reporting should take heed of the cost/benefit considerations of reporting new data, including an assessment of the correlation between new data demands and regulators' information needs such that no more than is necessary is reported; of the amount and quality of requested data and of regulators' ability to adequately interrogate the information received.

---

<sup>1</sup> See, for example, EBF's response to CESR Consultation on Trade Repositories in the European Union at: [http://www.ebf-fbe.eu/uploads/documents/positions/FinMark/D1839C-2009%20CESR\\_Consultation\\_on\\_Trade\\_Repositories\\_in\\_the\\_European\\_Union.pdf](http://www.ebf-fbe.eu/uploads/documents/positions/FinMark/D1839C-2009%20CESR_Consultation_on_Trade_Repositories_in_the_European_Union.pdf)

- Data standardisation processes, despite its many advantages, are also likely to result in substantial compliance costs for the industry. Ongoing dialogue between the industry and the regulatory community over reporting items, frequencies and timing is of the essence. Flexibility on specific instruments and/or national market circumstances may be needed.
- Concretely, in connection to OTC derivatives markets, it should be noted that no “one-size-fits-all” approach should be promoted. The implementation of responses to improve transparency and restore investor confidence in OTC derivatives markets needs to be based on a number of considerations specific to the particular market in terms of whether regulatory or market driven responses will enhance transparency and promote trading efficiencies without imposing undue and prohibitive costs on transactions.
- The scope of any public disclosure of reported data should be guided by a legitimate interest of the public in what may be sensitive information. Regulators need to carefully consider the risks of any public disclosure of reported data.
- Data aggregation on the basis of global identifiers, whilst strongly supported, poses an important number of practical design, implementation and financial challenges. In order to ensure consistency, any initiative in this regard should be developed in a properly calibrated timeframe.

### ***Minimum data reporting requirements***

The Federation broadly supports the draft recommendations of the Task Force and understands that the objectives of standardised formats and common methodologies and mechanisms will assist both the industry and the regulatory authorities in incrementally building efficient and robust reporting solutions.

The Federation would like to specifically note that:

1. The distinction between minimum reporting and potential additional reporting requirements is sensible and respects the principle of proportionality. The Federation believes that it is essential for regulatory authorities to identify data reporting needs and clearly articulate these needs to the industry and public. It is likely that there is additional data that may be ‘nice to have’, but in and of itself does not contribute to promoting financial stability or market integrity. Data reporting requirements which requires new or reengineered IT systems and processes will ultimately add to transaction costs.
2. Concerning the field requirements, the provision of transaction data, counterparty data and event data does make sense and is certainly achievable (with some development). However, the Federation would have concerns around how much "operational data" is being sought for non-electronic/cleared trades, as there is only so much value that can be obtained in this area.
3. The Federation anticipates that standardisation of certain minimum data fields may prove particularly challenging and may eventually prevent regulators from getting the "match" they

are looking for. This is the case, in particular, of data elements necessary to determine market value of transaction; initial and maintenance margin requirements; variation margin; long and short option values; netting; collateralisation information on bilateral portfolios; and information on collateral assets that are applied to collateralised OTC derivatives portfolios, including the valuation and disposition of these collateral assets which might be held by CCPs for centrally cleared trades.

4. The Federation believes that there needs to be consideration for a phased implementation approach to supplying and reporting data to regulatory authorities, potentially looking at more simple cleared products first, moving towards more complex product at a later date. A phased implementation approach would allow IT systems and processes to be adjusted and targeted and develop greater sophistication as would be required for reporting data on more complex products.
5. Gaps in data useful for assessing systemic risk and financial stability but not presently supported by TRs need to be filled. Having said that, data analysis and interpretation of information currently supported by TRs often proves more effective to better understand risk build-ups.
6. Any data reporting requirements to TRs should be clear and concise and should be harmonised - to the greatest extent possible - to avoid different TRs having different requirements in place. Furthermore, standardised formats should - to the widest extent possible - be identical for all kind of derivatives. Different data reporting requirements would increase compliance complexity and costs.
7. Regulatory authorities' access to data stored at TRs should be unrestricted, within their respective legal mandates. The Federation supports the Financial Stability Board (FSB) defining general principles or guidance in this respect. As authorities would always have access to the range of reported data that is relevant in accordance to their mandate, the Federation considers that so-called "non-routine access" may well be redundant.
8. As natural data aggregators and data hubs, it makes a lot of sense to ensure that TRs are the sole channel to access data on OTC derivatives transactions. As a result, the Federation considers that standing, direct reporting obligations from participants in the OTC derivatives markets to competent supervisory authorities should be reassessed and, if need be, eliminated in order to avoid unnecessary, administrative burdens for the industry. The Federation would, therefore, strongly urge CPSS-IOSCO- to ensure that nothing in their recommendations may lead to unnecessary duplication of data reporting obligations for reporting entities and counterparties.
9. The Federation believes that there should also be promotion of data sharing agreements between TRs to limit the burden on international trading where a market participant may have obligation to report to multiple repositories.
10. The Federation agrees that reporting entities and counterparties have access to reported data, under appropriate confidentiality requirements.

11. On public dissemination of data, the Federation recalls the importance of ensuring that such publication preserves the confidentiality of reporting firms and their counterparties. Furthermore, dissemination of information/data to the public must be assessed carefully in the context of the impact this may have on market liquidity. Accordingly, the Federation supports that only appropriately aggregated breakdowns and anonymous data could be disseminated to the general public, excluding information on individual firms and/or transactions. The remark that "*a TR should disclose to the public, where appropriate, information on market activity*" (3.4.1, page 19) should be stressed and duly considered when seeking greater transparency to the general public and market more broadly.

### ***Methodology and mechanisms for aggregation of data***

The Federation has publicly stated its support for a standard system of Legal Entity Identifiers (LEI). In coordination with the International Banking Federation (IBFed) and other associations, the EBF has written to G20 Finance Ministers, welcoming the Press Statement of the FSB on 18 July 2011, which noted that the "*FSB welcomed the progress of financial regulators and industry to establish a single global system for uniquely identifying parties to financial transactions, and agreed to arrange a workshop in the autumn to discuss the issues that will need to be addressed and how best to coordinate work to take this forward.*"<sup>2</sup>

The Federation is pleased to see that the basic principles identified by CPSS-IOSCO to which the LEI system should adhere to i.e. uniqueness, neutrality, reliability, compliance with existing laws on data protection and confidentiality, etc. are similar to the ones that the global industry has so far identified.

Furthermore, the Federation takes heed to CPSS-IOSCO's recommendation that the implementation of legal entity identifiers calls for continued international consultation. The Federation is ready and willing to continue investing effort in this coordination exercise.

The Federation also shares the view of CPSS-IOSCO that a standard international classification system for OTC derivatives (and possibly, other financial instruments in a second step and after proper assessment) is needed and that the industry should be in the driving seat to develop it as far as practicable. In this regard, the Federation would like to note that existing classification systems certainly provide a good platform for further work.

Importantly, the Federation considers that steps need to be taken to ensure that the governance of LEI issuing institutions properly represents and balances the interests of market participants, policymakers, regulators as well as is sensitive to financial market and geographic considerations.

Finally, the Federation would like to draw authorities' attention on the challenges in creating a joint nomenclature (LEI, product classification system and trade identifiers) when determining the time schedule for the reporting requirements. In order to preserve supervisors' current

---

<sup>2</sup> <http://www.ibfed.org/news/trade-association-letter-on-legal-entity-identifier-120911>

reliance on firms' own systems/reports it is crucial that the regulatory community and the industry take adequate time to fix and implement the nomenclatures before any meaningful reporting to TRs may take place.

I stay at your disposal for any questions.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ravoet', is written over a faint, light blue rectangular stamp or watermark.

Guido Ravoet