

Madrid / Luxembourg, 21 September 2011

REGIS-TR response to the consultative report on OTC derivatives data reporting and aggregation requirements by CPSS-IOSCO.

REGIS-TR appreciates the opportunity to comment on the public consultation on the consultative report OTC derivatives data reporting and aggregation requirements. As a Trade Repository, REGIS-TR plays a role in centralizing the collection, storage, and dissemination of OTC derivatives data, information which indeed plays an important role to promote financial stability for the public authorities and enhance the transparency of the market. This consultative report targets our core activities and therefore believe to be in a privileged position to provide our views with regards to the proposals mentioned therein.

REGIS-TR is a European joint initiative by Bolsas y Mercados Españoles (BME) and Clearstream Banking S.A. (CBL), which started operations on 13 December 2010. And to allow market players to comply fully with the upcoming OTC derivative regulation, which in Europe is the EMIR (European Market Infrastructures Regulation) and in the United States is the Dodd-Frank Act. REGIS-TR collects and administers details of all OTC transactions reported by users, giving market participants and regulators access to a consolidated global view of these OTC derivative positions – an overview that was not available until now, but sought for by regulators. REGIS-TR complies with the principles set out in the new regulatory proposals currently made public and serves both financial and non-financial institutions. The trade repository aims to deliver flexible participation levels that adapt to the diverse profiles and needs of all stakeholders and actors in the OTC derivatives market.

Our main observations and comments are listed below. We firmly believe that some of CPSS-IOSCO proposals, if adopted and translated into formal best-practice rules, may have far-reaching implications for Trade Repositories and the overall industry. We would therefore be grateful if these various points can be integrated by CPSS-IOSCO during their review.



Respondent's description

REGIS-TR S.A. is a fully operational provider of Trade Repository services for OTC derivatives with a global scope, with the main objective of becoming a flexible one-stop-shop solution to register OTC derivatives trades in all asset classes by any participant type and activity profile as well as under any applicable jurisdiction. The company, founded on December 9th, 2010, is a société anonyme, incorporated under the laws of the Grand Duchy of Luxembourg and is registered with the Trade and Companies Register of Luxembourg under registration number B. 157650.

Two well-known neutral Securities Services Infrastructures, Clearstream Banking S.A., as International Central Securities Depository CSD, and Iberclear, the Spanish CSD, are equal shareholders in the Company. Both shareholding entities provide operational, IT, legal, risk, compliance, commercial, auditing and accounting experts to ensure an orderly and compliant operation of REGIS-TR according to international standards and following CPSS-IOSCO principles for financial market infrastructures.

REGIS-TR provides services primarily in the following areas:

- Registration of OTC derivatives trades in all asset classes (Interest Rates are live since December 2010). FX is envisaged in November 2011 and equities, commodities and CDSs in the first half of 2012.
- Registration of standardized and customized contracts: Flexible solution allowing registration of standardized information that, if required, can be complemented with PDF contracts that are also electronically managed and confirmed.
- Legal certainty: The electronic registration and confirmation in REGIS-TR offers a means of evidence of the existence of the contract and its terms as agreed between the parties.
- Compliance with any transparency and regulatory reporting requirement derived from the future position reporting regulation in Europe and the United States for all registered contracts. Transaction reporting will also be complied with, when applicable.
- Electronic matching and electronic confirmation of contracts entered in REGIS-TR.
- Reconciliation facilities and contract custody services.
- Archive: A minimum of 10 years is guaranteed.
- Reporting to Market Authorities at entity level,
- Publication of aggregated data.

REGIS-TR receives and processes creation, confirmation and continuation data from participants. This data can be communicated through standard XML files sent via SWIFTNet FileAct, standard XML files



uploaded via secure Internet access or manual input. The XML files have been designed using standard industry language, taking into account FpML flow definitions and schemes, ensuring that the automation of the feed between the participant's back office applications and REGIS-TR is easy to develop and implement.

The second most relevant area of development are the value-added services, that today are not stringently being offered in the industry – exposure valuation and collateral management services. Based on the experience of Clearstream Banking S.A in the field of collateral management services, REGIS-TR foresees accepting bilateral or neutral third-party exposure valuation for onward-processing by June 2012. Additionally, for clients already using the partners for collateral management services, it will be possible to leverage the existing securities collateral pools held with their CSD/(I)CSD, making even greater use of their available liquidity and freeing the cash-collateral primarily being used in the industry today.

Executive summary

REGIS-TR welcomes the CPSS-IOSCO initiative of promoting the standardization of the mechanisms of data aggregation along the Trade Repositories' universe. We also appreciate the opportunity to contribute to the consultation by providing our views on some of the considerations made by the proposed requirements.

REGIS-TR will provide comments on some technical issues such as the applicability of a snapshot approach, the standardization of data aggregation criteria, or the usage of the Legal Entity Identifier, but also on some strategic issues such as the data gaps that the report refers to, or the competition and level-playing field aspects for the trade repository industry.

Specific comments to the consultative report

- The consultative report refers under point 3.1.3.2, to a Snapshot approach. We see some weak points to this Snapshot model. Having all the databases overridden once or several times a day is incompatible with any requirement to have information registered on a close-to-real-time basis. Additionally, in case the registered data has been already matched and confirmed, a snapshot approach would imply full re-matching of all the databases in order for authoritative records to be maintained. Another problem of the snapshot approach is that any links between primary details and confirmation data that have been communicated by different parties may also be overridden and would need to be re-entered into.

Nonetheless, a life-cycle approach is believed to be the only possible way to comply with the Trade Repository requirements as defined by the Commodity Futures Trading Commission (CFTC) and as already outlined by the Regulation of the European Commission. The life-cycle approach defined in REGIS-TR is based on the capacity of the participants to update, at any time, the agreed details of their OTC derivatives contracts. The system is also able to automatically process the different events without the need of intervention from the participants, reducing the costs of frequent updating.

- With regards to the Main Data Gaps, the consultative report refers under 3.1.4.2, the valuation data gaps. Issues raised in the document (challenge of transmitting an accurate valuation, different valuations across institutions and the frequency of updates) can be overcome if the TR includes within its ancillary services the provision of independent valuation. Additionally, the additional cost of this service would offset the cost increase that a frequent submission of valuation data from participants. REGIS-TR envisages the provision of valuation data as critical in the TR's role and has included it in its functional roadmap.
- Further with regards to the Main Data Gaps, under 3.1.4.2, covering these data gaps from the current tasks envisaged to Trade Repositories up to the real needs of the regulators (valuation data, bilateral portfolio level data and information of collateralization) will imply significant operational costs for the industry and the use of this data in an effective manner by the regulators is going to become a very tough task to accomplish. Although the benefits of managing this information for a complete risk assessment by supervisors are clear, REGIS-TR thinks it is necessary further development on the management of this type of data before mandating market participants to report to Trade Repositories this additional data. Trade

Repositories should offset that cost increase by providing ancillary services covering these gaps

- REGIS-TR welcomes the CPSS-IOSCO initiative of promoting the standardization of the mechanisms of data aggregation along the Trade Repositories' universe, as stated under point 4.2 of the consultative report. Whereas these standards are not agreed, REGIS-TR is developing the regulators' access to its database in which data of positions, contracts and operations related to each contract are aggregated by counterparty. They will also be allowed to perform queries of aggregated positions at product level.
- The document defends the existence of several Trade Repositories coexisting across the different jurisdictions and asset classes (page 16). The model of Trade Repositories to providing their services under the different jurisdictions in order to provide the supervisors with complete and accurate data and supplying customers with global mechanisms to confirm their trades with their counterparties all over the world should be supported by regulators throughout the globe. We feel that completing the matching process under a same TR is the best way to obtain it, reducing the number of trades which the counterparties are reporting to different Trade Repositories and, consequently, minimizing the costs of consolidating data for the supervisors. Most Trade Repositories will apply to become a registered TR under multiple jurisdictions; so if all jurisdictions act independently, the process of fulfilling all the requirements of all regimes will be quite burdensome and, very likely, will imply an increase in the costs for both the industry and the supervisors.

It is clearly not in the interest of the financial supervisors to push for any monopolistic solution whatsoever. Regulators are making an important effort in trying to reach a global consensus among the different regulators in order to provide a level playing field for Trade Repositories operating globally. Both US and EU regulations are promoting trade repositories acting in level playing field competition.

Therefore, we expect several types of trade repositories acting in different market spaces, and freely competing based on their core services but also on their added value services which are ancillary to the basic trade repository. We should not forget that this market is really global, and global means more than USA and Europe. Therefore, there are many other regions to be taken into account, such as Asia, Latin-America, South-Africa, etc.

- Finally we draw your attention to our views in relation to Annex 3 (on page 52) which refers to the possible implementation of a system of legal entity identifiers (LEI)>



REGIS-TR supports the centralized issuance of LEIs, bearing in mind that issuing costs must be limited, and its usage must be compulsory world-wide, free and paid for by the legal entities themselves.

Moreover it is important to foresee the issuance of the LEIs under a scheme that will guarantee a level-playing field among the foreseeable competing regional LEI providers, and refrain from centralized, monopolistic solutions.

As noted above, we should be grateful if these points would be included in CPSS-IOSCO's review. We remain at CPSS-IOSCO's disposal for any clarifications that would be required and look forward to entering into a constructive dialogue with your Committees.

Yours faithfully,

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