

March 3, 2016

**Via Electronic Submission**

Christopher Kirkpatrick  
Secretary of the Commission  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street NW  
Washington, DC 20581

**RE: Joint Comments on Draft Technical Specifications for Certain Swap Data Elements**

Dear Mr. Kirkpatrick:

The Chicago Mercantile Exchange Inc. (“CME”), DTCC Data Repository (U.S.) LLC (“DDR”) and ICE Trade Vault, LLC, (“ICE Trade Vault”), (collectively, the “Repositories”), appreciate the opportunity to provide the Commodity Futures Trading Commission (“CFTC” or the “Commission”) with comments regarding the Draft Technical Specifications for Certain Swap Data Elements (“Draft Specifications”). The Repositories are each currently operational as a provisionally registered Swap Data Repository (“SDR”). This letter is in response to the Commission’s request for comments regarding the proposed modifications to and addition of certain data elements contained in the Draft Specifications.

The Repositories support the Commission’s efforts to improve the quality of swap data collected by SDRs and subsequently available to the CFTC. Based on the Repositories combined experience gathering data, we believe the Commission should take a measured and deliberate approach with regard to changing or adding any required data elements. Effective oversight of what is by nature a global market requires the aggregation of data from potentially multiple jurisdictions and repositories. This aggregated data is only useful to the extent it is based on common data standards that can be applied by market participants and understood by the regulators. The Repositories urge the Commission to engage with them in an effort to make the adoption of global standards, the modification of existing data specifications and the addition of data fields, effective for the Commission without adding needless complexity and cost to the reporting process. Specifically, we would request the Commission:

1. Align CFTC efforts with those currently being undertaken by Committee on Payments and Market Infrastructures and the International Organization of Securities Commission (“CPMI-IOSCO”), especially regarding implementation timelines;
2. Collaborate proactively with the Repositories;
3. Consider the benefits of modifying and expanding the reporting fields as contemplated in the Draft Specifications against the costs and burdens that will be imposed on market participants, including reporting counterparties and non-reporting end users, DCOs, and SEFs to implement such changes; and
4. Implement any proposed changes pursuant to the appropriate statutory authority and procedure utilizing the mechanism of proposed rulemaking.

**1. *Align CFTC efforts with those currently being undertaken by CPMI-IOSCO, especially regarding implementation timelines***

The Repositories appreciate the CFTC's efforts to align its swap data elements proposal with the CPMI-IOSCO recommendations and additional policymaking efforts globally that are currently under development. However, the Draft Specifications, a consultation instead of a notification of proposed rulemaking, suggests that the Commission is considering the addition or modification of 120 reportable fields rather than aligning its goal of improving data quality to the international data harmonization and standards efforts. We encourage the Commission to progress its proposed technical specification additions and modifications in a logical sequence, as described below, building upon the global efforts once these efforts have been sufficiently vetted and reflect consensus.

CPMI-IOSCO has identified global standardization of swap data reporting as a key initiative to be undertaken by international regulators, reporting parties, and repositories. This international initiative attempts to harmonize data schemas and transaction workflows that underpin the reporting rules across multiple jurisdictions. The Repositories encourage the Commission to consider its current efforts in relation to the efforts of international regulators to harmonize transaction reporting among various jurisdictions, as well as consider the cost burden associated with implementing disparate standards.

For example, as the Commission is aware, there are significant efforts underway globally to allow for the aggregation of data across products and by related entities through the establishment of a Unique Product Identifiers ("UPI") and the collection of hierarchical legal entity information. Specifically, CPMI-IOSCO recently issued a consultation on the harmonization of UPIs for comment and envisions publishing final guidance on a classification system during 2016. Further, the LEI Regulatory Oversight Committee ("ROC") recently issued a consultation for the collection process of Level 2 reference data on the direct and ultimate parents of legal entities within the Global LEI System.

The establishment of UPIs, a product classification system, and a process for the collection of Level 2 data are necessary and fundamental actions. These actions will represent significant progress in the improvement of the quality of swap data. Proposed changes solely to data fields without the essential basis of establishment of UPIs and a methodology to collect entity hierarchy information will not afford the Commission improved capabilities to monitor systemic risk. We urge the Commission to wait to see the fruits of those efforts so that resulting data elements will be appropriate to assist the Commission in their evaluation of systemic risk and at the same time provide for an orderly and cost efficient industry transition.

In the interim, we encourage the Commission to re-engage with the Repositories on efforts to leverage existing market conventions and data elements which have proven to be reliable in order to enhance the value of data reported to the Commission. This type of approach would build on the existing reporting regime without introducing new complexities that will translate to additional costs for market participants as described below.

**2. *The Commission to proactively collaborate with the Repositories.***

Based on our collective experience, the Repositories recommend that the Commission consider

alternatives to amending the current CFTC swap reporting rules<sup>1</sup> that will be more cost-efficient than implementing the Draft Specifications. If adopted, the Draft Specifications would add eighty-one new reportable fields and increase the specificity of data elements for thirty-nine existing fields. Such expansion and increased complexity of the reporting process will place unreasonable burdens on the ability of market participants to submit swap data to SDRs. Furthermore, the changes contemplated in the Draft Specifications cannot be accomplished without additional costs incurred by reporting parties. Such costs will be passed down to non-reporting parties, particularly to end users, because these parties are statutorily reliant on dealers pursuant to the Commission's single-sided reporting infrastructure.<sup>2</sup> Therefore, non-reporting parties will absorb additional reporting costs via the pricing of swaps and hedging transactions.

As a more practical alternative to the Draft Specifications, as stated previously, the Commission should engage with the Repositories to align the proposed changes with the work being done by CPMI-IOSCO data harmonization working group. Recent initiatives in the area of data quality were led by the Office of Data and Technology and provided a productive forum for CFTC Staff and the Repositories to collectively address swap data issues associated with establishing a new market infrastructure. To achieve the common goal of the Commission and Repositories, we recommend continued engagement between the CFTC staff and Repositories to improve swap data quality.

**3. Consider the benefits of modifying and expanding the reporting fields against the costs and burdens that will be imposed on market participants.**

It is important for the Commission to weigh the benefits of expanding the reporting fields as contemplated in the Draft Specifications against the costs and burdens that will be imposed on market participants, including end users, to implement such changes. In anticipation of the commencement of swap reporting, reporting parties during 2012 made substantial capital investments in personnel and operational infrastructure to comply with the extensive obligations under the Reporting Rules. This implementation effort was a time-consuming and costly exercise. To the extent information contained in existing fields can be leveraged by the Commission to derive additional specificity, this approach should be fully investigated prior to creation of standards or fields that depart from current market convention.

With respect to the commodities asset class, the expansion of reporting fields will greatly impact end-users who have limited budgets and are without the technical systems necessary to comply with the Reporting Rules. The Draft Specifications propose to add eighty-one new fields and modify the data values of thirty-nine fields from the standards prescribed by Appendix 1 to the Part 45 rules – Tables - Minimum Primary Economic Terms (“Part 45 Fields”). The Draft Specifications will require market participants, including end-users, to make further capital investments and incur additional regulatory burdens in order to support an expansion of the Part 45 Fields. The Draft Specifications propose to expand the Part 45 Fields with data values and fields that are not currently stored in the trade capture and reporting systems of reporting parties because this information was not contemplated

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<sup>1</sup> 17 CFR Part 43 Real-Time Public Reporting of Swap Transaction Data, 17 CFR Part 45 Swap Data Recordkeeping and Reporting Requirements, 17 CFR Part 46 Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps and 17 CFR Part 49 Swap Data Repositories: Registration, Standards, Duties and Core Principles (together the “Reporting Rules”).

<sup>2</sup> § 45.3 Swap data reporting: creation data and § 45.4 Swap data reporting: continuation data.

under the Dodd-Frank Act or the subsequent rulemakings by the Commission.<sup>3</sup> Furthermore, the changes contemplated in the Draft Specifications will complicate the efforts by end-users to fulfill their obligation of verifying swap data reported on their behalf.<sup>4</sup>

In addition, while we support the effort to provide alignment across the asset classes where common fields exist, the Draft Specifications ignore legitimate differences for certain data elements that vary by asset class, as evidenced by the distinct tables for each asset class in the Part 45 Fields. Such an approach will frustrate the efforts by market participants to submit swap data to SDRs in accordance with the Part 45 Fields. As noted above there is a cost benefit analysis to additions/modifications and the extent they add value to reporting that cannot be obtained from deriving information from existing fields against the cost to the industry.

Through the Commissioners' recent actions and public communications, they have expressed a commitment to protect commercial end-users from overly onerous regulatory burdens. The modifications to the Reporting Rules do not reflect the commitment of the Commissioners to reduce regulatory burden on end-users. Therefore, the Commission should revisit the proposed revisions to the Reporting Rules seeking to limit proposed changes to those that will improve the quality of swap data while minimizing the burden on all impacted parties.

**4. *Implement any proposed changes pursuant to the appropriate statutory authority and proposed rulemaking procedures.***

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") prescribed that standards for swap data collection and maintenance by SDRs with respect to cleared swaps should be equivalent to the data standards imposed on derivatives clearing organizations. Specifically, the Dodd-Frank Act provided that the data standards prescribed by the Commission for SDRs "shall be comparable to the data standards imposed by the Commission on derivatives clearing organizations in connection with their clearing of swaps."<sup>5</sup> We believe this statutory requirement demonstrates a logical intent to follow existing standards. By extension, comparable data standards should apply to both cleared and uncleared swaps where such standards exist because to do so will result in higher quality data that is reliable and useful.

With respect to cleared swaps, the Draft Specifications are inconsistent with this statutory mandate because several of the fields contained in the Draft Specifications do not comport with the data attributes associated with the swap clearing process of derivatives clearing organizations. With respect to uncleared swaps, we recommend the Commission seek to align its required fields with representations in the parties' contractual agreement regarding economic terms as described in the confirmation be it in writing or represented via an industry standard messaging protocols. Finally, we request the Commission treat any changes to the data elements as rule changes and

<sup>3</sup> Section 729 of the Dodd-Frank Act added Section 4r(a)(1) to the CEA to prescribe reporting and recordkeeping for uncleared swaps

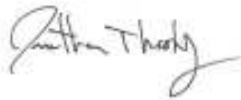
<sup>4</sup> § 45.14(b) Each counterparty to a swap that is not the reporting counterparty as determined pursuant to § 45.8, and that discovers any error or omission with respect to any swap data reported to a swap data repository for that swap, shall promptly notify the reporting counterparty of each such error or omission. Upon receiving such notice, the reporting counterparty shall report a correction of each such error or omission to the swap data repository as provided in paragraph (a) of this section.

<sup>5</sup> Section 24a(b)(3) of the Commodity Exchange Act (as amended by the Dodd-Frank Act).

propose them in accordance with the Administrative Procedure Act including a Notice of Proposed Rule Making followed by the appropriate comment period.

The Repositories look forward to working with the Commission on this initiative and appreciate the opportunity to comment on the foregoing rulemakings. Please do not hesitate to contact Kara Dutta (770.906.7812 or [kara.dutta@theice.com](mailto:kara.dutta@theice.com)) if you have any questions regarding our comments.

Sincerely,



Jonathan Thursby	Bruce A. Tupper	Marisol Collazo
President	President	CEO
CME Repository	ICE Trade Vault, LLC	DTCC Data Repository (U.S.) LLC

cc: Tim Elliott, CME Inc, Counsel  
Kara Dutta, ICE Trade Vault, LLC, General Counsel  
Debra Cook, DTCC Data Repository (U.S.) LLC, Counsel