



March 4, 2016

VIA ELECTRONIC SUBMISSION

Christopher Kirkpatrick, Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Comments on Draft Technical Specifications for Certain Swap Data Elements

Dear Kirkpatrick:

The Edison Electric Institute (“EEI”) submits the following comments in response to the Commodity Futures Trading Commission’s (“Commission” or “CFTC”) Staff report on Draft Technical Specifications for Certain Data Elements.¹ EEI is the association of U.S. shareholder-owned electric companies. EEI’s members own and operate electric generation, transmission and distribution facilities. EEI members serve 95 percent of the ultimate customers in the shareholder-owned segment of the U.S. electricity industry, and represent approximately 70 percent of the U.S. electric power industry. EEI members are non-financial, commercial end-users that use swaps to hedge and mitigate commercial risk and as such are subject to the reporting and recordkeeping obligations under the Commission’s rules and regulations. As such, EEI appreciates the opportunity to comment on the Technical Report.

EEI supports the broad goals articulated in the Commodity Exchange Act (“CEA”) of enhancing transparency and reducing systemic risk. As it moves forward, the Commission must balance the needs of market participants while meeting the goals articulated in the CEA by clearly identifying the need for the data and how the requested data will reduce systemic risk. The Technical Report proposes adding about eighty-one new reportable fields and increases the specificity of data elements for thirty-nine existing fields. It is important for the Commission to weigh the benefits of expanding the reporting fields as contemplated in the Technical Report against the costs and burdens that will be imposed on market participants, including end users, to implement such changes. While the Technical Report states that “the reportable data elements

¹ Draft Technical Specifications for Certain Swap Data Elements, A Report for Comment by Staff of the U.S. Commodity Futures Trading Commission (December 22, 2015) (hereafter “Technical Report”).

for which draft technical specifications have been presented herein for comment [...] focus primarily on the interest rate, credit and foreign exchange swap asset classes, it also indicates that several of the data elements are not asset class specific, such that any standardization of their format and content swap data standardization and harmonization may enhance clarity and utility across all asset classes.² As such, without clarification from the Commission that the non-financial commodity asset classes are not within the scope of the Technical Report, the proposals in the Technical Report could impact all asset classes, including the energy commodity swaps used by EEI members.

EEI members have spent significant time and money understanding the Commission's rules and regulations and making the system upgrades and changes necessary to be in compliance. Any changes in the Commission's rules or regulations or interpretations of the rules and regulations going forward will likely necessitate additional system, process and operational changes which will impose additional costs on EEI members. If adopted, the costs could be substantial as the data fields proposed in the Technical Report are not captured in the trade capture system now. These include, for example:

Special entity classification,

Counterparty dealing exclusion

Notional Amount

Additional Fixed Payments Info

- novation fees
- brokerage fees
- upfront fees

Order Information

- Order ID
- Order Date/Timestamp
- Match Date/Timestamp
- Price Discovery
- Price Order
- Customer Type
- Execution Type
- Order Source
- Block Trade Election Indicator

² *Id.* at 6.

Valuation Information

- Leg NPV
- Leg NPV Currency
- Valuation Date/Time
- Valuation Amount
- Valuation Currency
- Valuation Type

Collateral/Margin

- Close Out Netting Set Portfolio and Collateral Valuation Currency
- Close Out Netting Set Independent Amount/Initial Margin Requirement
- Close Out Netting Set Variation Margin Requirement
- Close Out Netting Set ID
- Close Out Netting Set Collateral Posted Valuation
- Close Out Netting Set Portfolio Net Mark to Market Valuation
- Close Out Netting Set Collateral Weighted Average Valuation Percentage
- Close Out Netting Set Collateral Posted Valuation Date/Time
- Close Out Netting Set Portfolio Net Mark to Market Valuation Date/Time

Requiring end users to report this additional information or to report more frequently³ would impose substantial additional cost and regulatory burdens on end users, without a clear articulation of why the additional information is needed and how providing the additional data will address system risk.

The proposed new fields and data elements and the 80 questions contained within the Technical Report seems to indicate that Commission Staff believes that it may need more data about swap transactions to carry-out Congressional intent. EEI would re-assert that sometimes less is more and that the Commission may better accomplish its objectives by simplifying the reporting process and by working to address and fix the current reporting regime before it contemplates imposing any new data or system requirements on market participants.⁴ EEI would suggest that the best way to do this is by focusing on data harmonization efforts in conjunction with the Swap Data Repositories (“SDR”) as they are in the best position to evaluate the data currently being reported to the Commission. As Commission Staff noted in the Preliminary Report on the Swap Dealer De Minimis Exception, there is still significant ongoing work to improve SDR data, including standardizing reporting fields, harmonizing data across SDRs, and

³ For example, valuation data is currently provided quarterly and is manual, time consuming process for many companies. Increasing frequency and requiring additional information would be costly and burdensome.

⁴ EEI Comments in response to Request for Comment – Review of Swap Data Recordkeeping and Reporting Requirements (May 27, 2014).

ensuring that market participants comply with their reporting obligations.⁵ As such, implementing alternative or additional indicators of dealing activities would be premature until the SDR data is more fully developed and standardized to the extent possible.

At the February 23, 2016 Technology Advisory Committee (“TAC”) meeting, the question was asked whether the Data Standards Sub – Committee, which allows Commission Staff to work with the SDRs to identify and address data issues, should be re-established. The resounding answer from all of the SDRs was yes and they all indicated a willingness to work with Commission Staff to improve and harmonize the data currently being provided to the Commission. The participants at the meeting indicated that the data is already present and that the focus should be on improving the data quality of the information already being collected rather than imposing new requirements.

This data harmonization process will allow the Commission to improve the processes that it already has in place and access the data that it feels it needs under Part 45 without imposing extra costs on end-users. If the Commission still feels that additional information is needed then it can propose targeted Part 45 reporting additions with a clear explanation of the need and with a cost/burden analysis which demonstrates that the Commission has considered the impact of all obligations imposed on end-users including compliance and personnel costs, the cost of system modifications for both reporting and recordkeeping, fees incurred for registration and maintenance of legal entity identifiers and fees incurred for reporting swap data prior to imposing reporting requirements on end-users. End-users should not be required to report the data if the Commission determines that the incremental value of receiving the data, compared to the cost to end-users of providing the data, is low.

Reporting requirements should also recognize that energy markets are different from financial markets. As such, “standardization” cannot apply across all markets because the products are different. The Commission should recognize the unique attributes of energy markets and the standards/practices for reporting and confirming transactions that have been developed in energy markets over the years for uncleared swaps by accommodating these practices in its rules and regulations.

In conclusion, EEI would assert that Commission Staff and the SDRs should continue to work on the data harmonization process to improve the quality of the data already being provided to the Commission rather than imposing new requirements. This process will help the Commission evaluate the data that is being received from market participants in a consistent manner and will allow the Commission to better target discrete areas in which additional information may be needed. This will help ensure that the Commission is able to meet its goals without unduly burdening market participants.

⁵ Swap Dealer *De Minimis* Exception Preliminary Report, A Report by Staff of the U.S. Commodity Futures Trading Commission Pursuant to Regulation 1.3(ggg) (November 18, 2015) at 11 (hereafter “Preliminary Report”).

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard F. McMahon, Jr.", written in a cursive style.

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