



March 7, 2016

Christopher Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

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

Dear Mr. Kirkpatrick:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates this opportunity to provide the Commodity Futures Trading Commission (the “Commission” or “CFTC”) and its staff (“Staff”) with comments on the *Draft Technical Specifications for Certain Swap Data Elements* (the “Draft Technical Specifications”).<sup>2</sup> We welcome the Staff’s decision to seek input from the public regarding the Draft Technical Specifications.<sup>3</sup>

SIFMA’s members share the Commission’s goal of enhancing the quality and consistency of reported swap data. We also support the Commission’s efforts to refine and improve swap data reporting requirements. Clear reporting requirements are essential for the Commission to obtain the accurate data it needs to fulfill its regulatory mandates. We believe continued public engagement on these issues, including through further rulemakings to reflect the Draft Technical Specifications (where and when appropriate), will help ensure that appropriate modifications to existing reporting rules are made in order to achieve that objective.

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$20 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

<sup>2</sup> Available at: [http://www.cftc.gov/idx/groups/public/@newsroom/documents/file/specifications\\_swapdata122215.pdf](http://www.cftc.gov/idx/groups/public/@newsroom/documents/file/specifications_swapdata122215.pdf).

<sup>3</sup> SIFMA supports the views expressed by the International Swaps and Derivatives Association Inc. (“ISDA”) in its comment letter in response to the Draft Technical Specifications, dated March 7, 2016 (the “ISDA Comment Letter”).

Mr. Christopher Kirkpatrick

March 7, 2016

p. 2

In this regard, we view the Draft Technical Specifications as one component of a broader initiative to enhance swap data reporting, including:

- The Commission's request for comment on its swap data reporting rules in March 2014 (the "March 2014 Review");<sup>4</sup>
- The Commission's subsequent proposal of amendments regarding cleared swaps reporting (the "Cleared Swaps Reporting Amendments");<sup>5</sup> and
- The Commission's active efforts to promote globally consistent standards for swaps data reporting, including through participation on the Committee on Payments and Markets Infrastructures ("CPMI")-Board of International Organization of Securities Commissions ("IOSCO") working group for the harmonization of key OTC derivatives data elements ("Harmonization Group").<sup>6</sup>

The interrelationships among the Draft Technical Specifications and these other workstreams, as well as their shared dependencies on the same technology and human resources, necessitate a well-planned and sequenced approach to enhancing swap data reporting requirements. Prioritizing among the various enhancements under consideration will help to avoid inadvertent inconsistencies and associated potential for erroneous data and unnecessary infrastructure costs. It also will help promote the ultimate goal of establishing a core set of global data reporting standards that expands the Commission's market oversight capabilities through aggregation of data across trade repositories located in multiple jurisdictions.

In light of these considerations, we respectfully recommend that the Commission consider prioritizing and sequencing its reforms as follows:

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<sup>4</sup> Review of Swap Data Recordkeeping and Reporting Requirements, 79 Fed. Reg. 16689 (March, 26, 2014).

<sup>5</sup> Amendments to Swap Data Recordkeeping and Reporting Requirements for Cleared Swaps, 80 Fed. Reg. 52544 (August 31, 2015).

<sup>6</sup> We note that the efforts of the Harmonization Group have already resulted in the publication by CPMI and IOSCO of two consultative reports in September 2015 and December 2015, addressing harmonization of data elements and unique product identifiers ("UPI"), respectively. See Harmonisation of Key OTC Derivatives Data Elements (Other than UTI and UPI) – First Batch, available at: <https://www.bis.org/cpmi/publ/d132.pdf>, and Harmonisation of the Unique Product Identifier, available at: <http://www.bis.org/cpmi/publ/d141.pdf>. CPMI and IOSCO also intend to issue a separate consultative report on the UPI code and further batches of key data elements in the coming months. See CPMI Press Release, Harmonisation of the Unique Product Identifier (UPI) - consultative report issued by CPMI-IOSCO (December 17, 2015), available at: <http://www.bis.org/press/p151217a.htm>.

## 1. Enhancements to Existing Swap Data Reporting Requirements

First, we recommend that the Commission focus on improving the quality and consistency of the swap data that it already requires firms to report. Swaps market participants, clearing organizations, and execution facilities currently report a significant amount of data to swap data repositories. It is, however, frequently the case that they report this data in an inconsistent manner, which limits the data's utility to the Commission and increases the potential for erroneous data. In many cases, these errors and inconsistencies result from market participants' uncertainty about how to report certain data elements. In particular, as the Commission has observed,<sup>7</sup> the absence of standardized fields from the Commission or industry groups for reporting existing data elements (such as reference indexes) has led market participants to reach different interpretations as to how to report data for the same type of swap.<sup>8</sup> The Commission should prioritize making the targeted amendments and clarifications to already existing data fields that are necessary to reduce these inconsistencies.<sup>9</sup>

The comments filed in response to the March 2014 Review offer a number of proposed solutions intended to improve data quality and consistency. We support the Commission's decision to act on these proposed solutions in the area of cleared swaps reporting. The Commission's Cleared Swaps Reporting Amendments, if adopted, would provide helpful certainty to the marketplace and substantially improve the quality and consistency of cleared swaps data.

The March 2014 Review, however, covered a wide range of reporting issues in other areas, and the comment file provides support for many other targeted amendments

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<sup>7</sup> See, e.g., Keynote Remarks of Chairman Timothy Massad before the Futures Industry Association Futures and Options Expo (November 4, 2015), available at: <http://www.cftc.gov/PressRoom/SpeechesTestimony/opamassad-33>.

<sup>8</sup> For example, in the context of interest rate swaps, the data fields set forth in Exhibit C to Part 45 of the Commission's regulations do not specify the methodology for reporting the "floating rate index name" data field, apart from providing a single example: "USD-Libor-BBA." Thus, for floating rate indexes other than USD LIBOR, market participants reach different interpretations as to how to reference the same floating rate index, which can impede the Commission's efforts to aggregate data of swaps that reference a specific floating rate index. The Draft Technical Specifications suggest a helpful clarification by specifying that the allowable values for identifying a floating rate index are the identifier listed in section 7.1 of the 2006 ISDA Definitions, or the identifier used by the administrator for the relevant index. For a more detailed discussion, please see section III.L.68 of the ISDA Comment Letter.

Market participants have made requests for guidance related to other areas of similar uncertainty, including reporting the execution time of a life cycle event (see ISDA Comment Letter, section III.K.65) and reporting of post-pricing swaps (see ISDA Comment Letter, section III.C.20).

<sup>9</sup> As discussed in section 2 below, new data fields should not be added until after global standards for data reporting have been published by the Harmonization Group.

to the existing reporting requirements.<sup>10</sup> Particularly in areas where these amendments would overlap in objective with the Draft Technical Specifications, the Commission should consider the relevant alternatives together. Further, in areas where the same objective can be achieved alternatively by adding a new data field, on the one hand, or by clarifying the way in which existing data is reported, on the other hand, the latter approach is likely to be less costly and create less potential for errors.<sup>11</sup>

In light of these considerations, we believe that prioritizing the amendments favored in the comments collected as part of the March 2014 Review would generally be the most efficient way to enhance the quality and consistency of swap data in the near term.

## **2. Amendments to Implement Global Standards**

Second, once the Harmonization Group has published its final guidance on global standards for data elements, we recommend that the Commission implement the global standards by proposing conforming amendments to existing data fields and standards, including adding any necessary new data fields and standards.<sup>12</sup> In so doing, the Commission should coordinate with the Securities and Exchange Commission, which is in the process of implementing its own data fields and standards.<sup>13</sup>

These harmonized data fields and standards would permit more effective aggregation of swap data across different jurisdictions, granting the Commission a more comprehensive view of the global swaps marketplace. Harmonizing data fields and standards also would reduce the costs and potential for errors associated with adding new data fields by ensuring that affected market participants and infrastructure providers could employ their limited resources in a focused manner to make the changes necessary to add the same set of new data fields globally. The Commission should also coordinate

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<sup>10</sup> We believe ISDA's comment letter to the March 2014 Review, dated May 23, 2014, provides helpful suggestions for additional targeted amendments to the Commission's swap data reporting rules.

<sup>11</sup> For example, current message specifications should permit the Commission to determine whether a swap data report is submitted pursuant to Parts 43, 45 or 46 of the CFTC regulations without requiring a new data field. See ISDA Comment Letter, section III.J.45.

<sup>12</sup> One area where international coordination will be especially critical relates to reporting of collateral information, so as to ensure effective aggregation of information relating to uncollateralized exposures in the presence of global margin standards for uncleared swaps and the collateral reporting requirements already in place in other jurisdictions, such as the European Union. International coordination of collateral reporting requirements will also help to reduce the costs of adopting any such requirements, which can be significant due to the fact that collateral-related information is typically associated with netting sets, not individual transactions, and stored in separate systems from those used to fulfill trade reporting requirements.

<sup>13</sup> See Establishing the Form and Manner with which Security-Based Swap Data Repositories Must Make Security-Based Swap Data Available to the Commission, 80 Fed. Reg. 79757 (Dec. 23, 2015).

with global regulators to promote a common implementation schedule for these new data fields.

In contrast, adopting new data fields and standards before the Harmonization Group publishes its guidance could result in discrepancies between U.S. requirements and global standards. These discrepancies would undermine the gains in cross-border transparency and cooperation that are the primary benefits of agreeing to global reporting standards. Furthermore, if the Commission later conformed these new data fields to the global standards, the marketplace would suffer significant additional costs to modify existing reporting infrastructure multiple times.

### **3. Amendments to Expand Swap Data Reporting Requirements**

Other than what is required to implement the global standards, we recommend that the Commission limit its adoption of additional data elements to areas where (a) there is a regulatory objective that is uniquely relevant to CFTC regulations<sup>14</sup> and (b) collecting new trade-by-trade data from reporting parties is the most effective means of obtaining the information necessary for the Commission to achieve that objective.

For example, in the Draft Technical Specifications, the Staff presents data fields that address static, counterparty-related data elements, such as the identity of a counterparty's ultimate parent. Alternatively, however, the Commission could require a market participant to associate this type of information with its legal entity identifier and maintain that information with a legal entity identifier utility. This latter approach would be consistent with international initiatives.<sup>15</sup> It also would reduce the burden on the marketplace and the potential for reporting of inconsistent or inaccurate data.

Another example involves situations where data fields proposed in the Draft Technical Specifications are designed to obtain information that is discernible from information reported under Part 45 of the Commission's regulations. For example, the Draft Technical Specifications include a new "Mandatory Clearing Indicator" data field that would require a reporting counterparty to specify whether a swap's characteristics meet the requirements for mandatory clearing. The information necessary to determine whether those requirements are met, however, is already reported as swap data under Part 45.<sup>16</sup> It would be more cost-effective and less prone to error for a swap data repository to

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<sup>14</sup> For example, a "special entity" data field would be one that is uniquely relevant to CFTC regulations. It also is a static, counterparty-specific data field that could be reported directly by a counterparty to a legal entity identifier utility, as described below.

<sup>15</sup> A consultation published on September 7, 2015 by the LEI Regulatory Oversight Committee contemplates collecting data on direct and ultimate parents of legal entities within the Global LEI System. See Consultation document on collecting data on direct and ultimate parents of legal entities in the Global LEI System, available at: [http://www.leiroc.org/publications/gls/lou\\_20150907-1.pdf](http://www.leiroc.org/publications/gls/lou_20150907-1.pdf).

<sup>16</sup> The combination of a swap's unique product identifier (or substitute taxonomic description, or internal product identifier or product description used by the swap data repository), currency and

Mr. Christopher Kirkpatrick

March 7, 2016

p. 6

develop an analytical tool enabling the Commission to search swap data based on the relevant information already reported than to require market participants to report an additional data field.

Finally, requiring the reporting party to report information that varies trade-by-trade and is solely in the possession of the non-reporting party would impede effective execution of transactions and create opportunities for misreporting of that information due to manual trade input errors. For example, in order to report data regarding which exclusion from dealing activity its counterparty is relying on, a reporting party would need to request that information from its counterparty on a trade-by-trade basis and input that information into its trade capture and reporting system.<sup>17</sup> It would be more effective for non-reporting parties to provide this information directly, as and when necessary.

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We would be pleased to provide further information or assistance at the request of the Commission or its staff. Please do not hesitate to contact the undersigned, or Colin D. Lloyd (+1 212 225 2809) of Cleary Gottlieb Steen & Hamilton LLP, outside counsel to SIFMA, if you should have any questions with regard to the foregoing.

Respectfully submitted,



Kyle Brandon

Managing Director, Head of Derivatives and Director of Research  
SIFMA

cc: Honorable Timothy G. Massad, Chairman  
Honorable Sharon Y. Bowen, Commissioner  
Honorable J. Christopher Giancarlo, Commissioner  
*Commodity Futures Trading Commission*

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tenor should be sufficient to determine whether the swap has the specifications set forth in CFTC Regulation § 50.4.

<sup>17</sup> Reporting this trade-specific information would impose a substantial burden relative to a requirement to report static counterparty information, such as U.S. person status, which a reporting party can log into its counterparty data system once for replication in each subsequent trade report.