



**EDF TRADING**

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March 7, 2016

*Via Electronic Submission*

To: Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

Attn: Mr. Christopher J. Kirkpatrick  
Secretary of the Commission

**Re: Request for Comment on Draft Technical Specifications for Certain Swap Data Elements**

Dear Mr. Kirkpatrick:

**I. Introduction**

EDF Trading North America, LLC (“EDFTNA”) submits these comments in response to the Draft Technical Specifications for Certain Swap Data Elements (the “Draft”) published by the Commodity Futures Trading Commission’s Staff (the “CFTC”, the “Commission”, or “Staff”) on the December 22, 2015.

EDFTNA is a wholly-owned indirect subsidiary of *El lectricit  de France, S.A.*, a global leader in energy production and supply with over 140.4 Gigawatts of generation capacity and approximately 39 million customers globally. In addition to being the fifth largest marketer of natural gas in North America, EDFTNA is also a leading provider of energy management and a provider of retail power and gas services to large-scale commercial and industrial customers through its affiliated companies.

EDFTNA generally supports the Commission’s Staff’s efforts to harmonize and standardize the technical specifications for certain swap data elements under Part 43 and 45. However, the proposals as they currently stand will give rise to overly burdensome requirements as changes to existing fields and some of the new fields being requested will require significant IT and systems development. EDFTNA believes the CFTC should carefully justify why additional information is needed, based on assessment of the potential costs and benefits, and where this is appropriate allow sufficient time for market participants to implement changes.

**II. Weighing the Costs and Benefits of Expanding the Reporting Fields**

The Commission Staff’s proposal for additional reporting fields will significantly increase market participants’ costs for compliance. EDFTNA request the Commission weigh the benefits of expanding the number of required reporting fields against the costs and burdens it will place upon market participants and their customers. The costs and impacts to the end-users must be at the forefront of the costs benefit analysis. End-users have limited funds and technical capabilities for complying with additional reporting fields. Ultimately,



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the costs resulting from the proposed changes will be passed down to end-users or non-reporting parties. Furthermore, the rising cost of compliance and increased capital investments in reporting infrastructures may result in barriers to market entry and decrease market participation.

EDFTNA encourages the CFTC to work collectively with the SDRs and ETRM vendors to ensure that the costs for market participant compliance are marginal. Considering initial investments in reporting and regulatory regimes, market participants have made significant investments in existing reporting systems and personnel. EDFTNA proposes the Commission consider standardizing and harmonizing the existing data fields first and only requiring additional data fields if the newly standardized existing data fields fail to accomplish the Commission's desired results. Leveraging the existing reporting fields, to the extent possible, in pursuit of market transparency would serve as an operative cost savings measure. Directing the industry's collective focus on the existing data fields promises efficiency. Any subsequent analysis would either confirm or eliminate the need for additional fields. In light of the Staff's Preliminary GNV Report, the proposal for additional data fields is premature and could possibly misdirect the Commission's attention on evaluating the usefulness of existing reporting requirements. Making greater capital investments in reporting infrastructures with the possibility of additional data fields being superfluous and overly burdensome is not appropriate.

### **III. Resources and Technical Capabilities for Complying with Additional Reported Fields**

In addition to having limited budgets, many end-users and reporting parties engaging in OTC energy commodity swaps and options do not possess the technical systems and resources necessary to comply with the proposed expansion of reporting data fields.

### **IV. Market Participants Need Adequate Time for Implementation and Testing of New Specifications**

EDFTNA anticipates that the successful implementation of harmonizing and standardizing data fields with the possible addition of new data fields will require an extensive amount of time, effort, and money. The building and modification of reporting systems will need process, policy, and procedural enhancements for support. Although, "Staff expects the development of any technical specifications for reportable swap data elements to be an iterative process"<sup>1</sup>, even an iterative implementation of the proposed specification will still require a significant amount of time. It is therefore, in everyone's best interest that a prolonged period of time for implementation is permitted.

### **V. Increasing Dodd-Frank Reporting Complexity**

The addition of new swap data fields at this time further complicates reporting. The focus should be on facilitating greater simplicity. Concentrating on standardizing the existing reporting elements is simple and provides certainty that the targets are within scope and prevents pursuit of the wrong targets. Choosing to standardize and harmonize the existing swap data elements at the outset will help to readily identify where resources are best directed.

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<sup>1</sup> Draft, page 6



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Rather than aiming to add new data fields, which seems like a short term solution, we should focus on simplifying our existing reporting processes in hopes of solidifying the long term solution of ensuring market transparency and data we can trust.

We heard commentary at the recent TAC meeting that “swaps are not meant for standardization”. OTC swap transactions are not per se standardized, but are rather customized derivative transactions. Swaps’ customization characteristics and trade reporting systems’ rigidity in capturing all swap transaction data may be further complicated with Staff’s proposal for additional data fields.

**VI. Conclusion**

The Commission should standardize and harmonize the existing swap data elements required for reporting. It should defer the imposition of additional data fields after conducting an analysis of whether the standardization of the existing data fields provides sufficient reporting. At this time, the requirement for additional data fields complicates and weakens market participants’ ability to provide transparent and reliable trade data. The Dodd-Frank reporting process is better served by directing the focus on our existing reporting data elements and ensuring we have a firm foundation to support additional elements and specifications. Given the current state of the market and the associated costs of enhancing reporting regimes, the imposition of additional swap data elements will undesirably impact end-users and risk management strategies.





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**Appendix**

In the context of the energy commodity market, when considering the capabilities of the ETRMs and the swap transactions, a decision at this time to implement the additional data fields may not be suitable for the energy commodity market place. However, should the Commission decide to implement additional data fields, EDFTNA has selected the following data fields it feels may strengthen swap transaction reporting:

**EDFTNA Selected Data Fields for Additional Reporting Elements**

Counterparty ID	Price Type	Option Premium Amount Type
Third Party Reporter ID	Notional Amount	Option type
Counterparty Dealing Activity Exclusion Type	Option Buyer ID	Block Trade
Counterparty US Person Indicator	Option Seller ID	Counterparty ID Claiming Clearing Exemption
Primer Brokerage Indicator	Option Strike	Part 43/45/46
Asset Class	Option Strike Type	Data Accuracy Confirmation by Counterparty
Price	Option Premium Amount	

