



THOMSON REUTERS

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Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

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

Dear Mr. Kirkpatrick:

Thomson Reuters (SEF) LLC (“**Thomson Reuters SEF**”) welcomes the opportunity to submit its comments on the Division of Market Oversight’s and Office of Data and Technology’s request for comment on Draft Technical Specifications for Certain Swap Data Elements (the “**Request for Comment**”).¹

I. Thomson Reuters SEF Background

Thomson Reuters SEF is registered with the Commodity Futures Trading Commission (the “**Commission**”) as a swap execution facility (“**SEF**”), and currently facilitates trading in foreign exchange (“**FX**”) non-deliverable forwards (“**NDFs**”) and FX options. Thomson Reuters SEF enables its participants to trade NDFs and FX options through its request-for-quote (“**RFQ**”) and request-for-stream (“**RFS**”) systems and an order book. Participants benefit from Thomson Reuters SEF’s complete end-to-end workflow solution, including straight-through processing and settlement.²

¹ Available at <http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/specificationsswapdata122215.pdf>.

² Thomson Reuters’ FX markets serve thousands of institutions globally, including industrial companies, asset managers, governments, international agencies and other financial institutions. Our platforms facilitate competitive pricing, internal trading controls, risk management and a granular audit trail. We have succeeded in improving efficiency and transparency and reducing risk for an important FX market to the U.S. and the world economy. Today, a large part of the FX market is traded on electronic systems such as Thomson Reuters SEF – including less liquid or infrequently traded instruments customized by end users to meet their specific commercial requirements.

II. Comments

As a SEF, Thomson Reuters SEF is responsible for reporting real-time and creation data under Parts 43 and 45 of the Commission's regulations, and has therefore been actively involved in many industry initiatives surrounding the Commission's reporting requirements. While many aspects of the reporting regime have functioned well, there are several areas that could be improved. We therefore support the Commission's efforts to further standardize the data elements that must be reported under the swap data reporting rules, and the Staff's publication of the Request for Comment.

However, if the Commission decides to act further in regards to the issues discussed in the Request for Comment, we believe the Commission should: (1) provide more clarity regarding the information to be reported in connection with each reporting field, (2) specify whether a particular swap data element is always or conditionally required to be included in a swap data report³ and (3) standardize the allowable values and formats for reportable data.⁴

We also are concerned in particular that the Commission may be contemplating requiring new information to be reported that may not be available to reporting entities like SEFs, or that would be unduly burdensome for such reporting entities to obtain. Below we submit our responses to certain of the Staff's specific questions in the Request for Comment, many of which focus on this point.

1.⁵ Are there challenges associated with identifying the Ultimate Parent and/or Ultimate Guarantor of a swap counterparty? If so, how might those challenges be addressed?

We believe it would impair the efficient execution of trades on SEFs, in addition to being unduly burdensome for the SEFs themselves, to require that SEFs obtain and report information regarding each swap counterparty's Ultimate Guarantor and/or Ultimate Parent.

Ultimate Guarantor: A market participant's swaps may be guaranteed when trading with some counterparties and not with others, or they may be guaranteed only for some swaps with the same counterparty. The only way for a SEF to obtain this type of information would be for the counterparties to provide it to the SEF on a swap-by-swap basis, because SEFs do not have access to the relationship documentation (*e.g.*, Credit Support Annex) setting forth these terms.⁶

³ See Request for Comment at 6 ("any future technical specifications that are developed . . . are likely to also include further details, such as whether a particular swap data element is always or conditionally required to be included in a swap data report. . .").

⁴ As discussed at the Commission's Technology Advisory Committee meeting on February 23, 2016, the industry has already made progress in standardizing certain of the data to be reported in connection with the credit asset class. However, this standard has not been universally adopted, so it is of limited use. We believe the best way to ensure that standards are actually adopted is for the Commission to endorse or require them.

⁵ The specific questions to which we are responding are identified herein by the number(s) they bear in the Request for Comment.

⁶ Acknowledging the difficulties SEFs would have in obtaining their participants' relationship documentation, DMO provided relief to SEFs from other requirements that could have required SEFs to receive such documentation. See

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It is feasible that SEFs could require swap counterparties to include this information as part of submitting an order, but this would present significant problems. For example, a large number of other new data fields suggested in the Request for Comment also would require information that SEFs do not have, and SEF participants cannot be expected to provide all of this information each time they submit an order. Even if they could do so, such a requirement could materially delay the execution of trades because front-office traders may need to contact back-office personnel to obtain this information.

For these reasons, if the Commission determines that it must have information about the guarantors for each swap, we recommend that the Commission require the reporting counterparty to report this information, even for SEF-executed trades. The Commission could do this within the existing structure of its reporting rules by, for example, creating a new type of continuation data. Currently, the reporting counterparty must report as continuation data: (1) either life-cycle data or state data, and (2) valuation data. The Commission could add a new type of continuation data that (absent material changes) would only need to be reported once, including guarantor information and certain other data fields identified in the discussion below.

Ultimate Parent: A swap counterparty's ultimate parent is static, and thus does not raise some of the concerns discussed above regarding an ultimate guarantor. Yet, because it is static information, and because it has no impact on the economics of a transaction, we do not believe it should be required to be reported to a data repository on a swap-by-swap basis. It would be more efficient for market participants to provide this information in the process of obtaining a legal entity identifier ("**LEI**") because all of the data provided in that process is similarly static. If the Commission determines nevertheless to require that such information be reported to a data repository, we recommend that it require it to be reported by the reporting counterparty as continuation data.

Separately, we note that Thomson Reuters maintains and provides "Org ID," which is a corporate database used by banks, investment managers and corporates to simplify and streamline counterparty due diligence and know-your-customer ("**KYC**") requirements. We believe this could assist the Commission with collecting information regarding the ultimate parents of swap market participants and with identifying corporate relationships. If the CFTC would like to know more about this database, please contact me at the number provided at the conclusion of this letter.

CFTC No-Action Letter 15-25 (April 22, 2015). Obtaining information regarding swap guarantors would be particularly difficult because the terms describing whether or not a swap is guaranteed often are not found in typical swap documentation, but rather in a party's credit facility or a separate guarantee agreement. It would therefore be an immense and incredibly costly task for SEFs to obtain this information, and a much larger task for SEFs to build a system that would identify when a given participant's swaps are subject to a parent guarantee. It also would be inefficient to require each SEF to independently expend these costs in order to obtain the same information about swap guarantors.

6. Should the Commission propose a definition of a prime broker for this purpose? If so, is the following definition sufficient to describe all forms of prime brokerage in the swap markets?

A prime broker is a party that acts as the credit intermediary for swaps whose terms and conditions are agreed to by (1) a customer of the party providing the credit intermediation and (2) an executing swap dealer, provided that the terms and conditions of the swap fall within the customer-specific limits previously specified by the party providing the credit intermediation?

Is there an alternative definition that would more appropriately capture all forms of prime brokerage relationships and transactions in the swap markets?

As an initial matter, we agree that the Commission should define the term “prime broker.” Prime brokerage is an important method for swap execution (particularly in the FX asset class), so the Commission’s swap data reporting structure should be set up to accommodate and identify prime brokerage trades. We believe that defining the term “prime broker” would help to provide clarity regarding any fields intended to identify and provide information about prime brokerage trades.

We believe the proposed definition of a prime broker is sufficient, but we suggest that the Commission clarify that the use of the term “swap dealer” in the definition includes registered swap dealers and any person or entity that is acting as a swap dealer but need not register as such because it is under the relevant *de minimis* threshold. Otherwise, a prime broker that authorizes its customers to trade with an executing broker that is below the *de minimis* threshold would not be captured by this definition.

7. Please provide feedback on any aspect of the draft technical specifications for the data elements presented below.

Submitter ID: We request that the Commission clarify whether, for SEF-executed trades, the SEF would include its own LEI in this field.

Counterparty Dealing Activity Exclusion Type: We do not believe it would be appropriate to require SEFs to identify whether one or both counterparties to a swap have satisfied any exclusions from the definition of swap dealing activity. The determination of whether an exclusion from the definition of swap dealing activity applies is a legal conclusion that is often highly complex and heavily dependent on facts of which a SEF will have no knowledge. Further, this determination may vary from swap to swap for every counterparty, including swap dealers.

We assume that Staff is not suggesting that a SEF must verify each counterparty’s determination of the applicability of an exclusion from swap dealing activity. Nor is it appropriate to require SEFs to obtain such determinations from the counterparties for reporting purposes in the first instance. Indeed, the parties to the swap may not even have made this determination at the time of execution. And even if they have, it is unlikely that the determination was made solely by the

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front-office traders alone and, therefore, requiring a SEF to obtain these determinations in order to report them would materially delay the execution of trades.

For these reasons, if the Commission determines that it must have this information, we recommend that it require it to be reported by the reporting counterparty as continuation data. This would improve the efficiency with which such information can be reported, and would avoid delaying the execution of swaps while complex legal determinations are made.⁷

Separately, we note that the counterparties to a swap may rely on more than one exclusion from the definition of swap dealing activity (*e.g.*, an insured depository institution could enter into a foreign exchange forward that is not counted toward the *de minimis* threshold). The proposed data field, however, indicates that parties would be able to list only one exclusion.

Prime Broker Indicator: We do not believe the description for this field accurately describes the reporting process for prime brokered swaps. We recommend that the Commission change the description to: “Indicator of whether the swap is a prime broker trade.”

14. How should currencies that do not have ISO 4217 codes be represented?

There are conventional symbols for every currency, including those without ISO 4217 codes. We therefore recommend that the Commission require reporting counterparties to use these conventional symbols to identify currencies without an ISO 4217 code. We also suggest that the Commission maintain a list of these currencies and their respective symbols on its website in order to ensure that such currencies are identified consistently. We would be happy to work with Commission Staff to create this type of list.

26. What challenges may exist for reporting Additional Fixed Payments? If so, what alternative approaches are available?

To our knowledge, SEFs do not facilitate the ability for parties to agree on any “additional fixed payments.” Therefore, if SEF-executed trades have any such payment obligations, the terms setting forth those obligations will necessarily be in the relationship documentation between the counterparties.

For these reasons, if the Commission determines that it must have this information, we recommend that it require it to be reported by the reporting counterparty as continuation data.

34. Is a single Order ID sufficient to access historical order information? If not, what other identifier(s) would be sufficient to access historical order information?

We do not believe it would be sufficient to have one Order ID through the life of an order because orders may be amended in various ways prior to execution. If the Commission wishes to be able

⁷ At a minimum, if the Commission determines to require that such information be reported by SEFs, we request that the Commission explicitly confirm that the SEF has no obligation to evaluate or verify the conclusions that it receives from the counterparties.

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to track these changes and associate amended order(s) with the original order(s), we recommend that (1) a new order ID be generated for an amended order and (2) a separate field for “Original Order ID” be included, which would only be populated for swaps where the order was amended prior to execution. Regardless of the method for identifying amended Order IDs, though, we request that the Commission provide explicit guidance regarding how to identify amended orders.

36. Please provide feedback on any aspect of the draft technical specifications for the data elements presented below.

In general, we note that it would be a significant undertaking for SEFs to build systems that would allow them to report granular details about the orders for each executed swap. We therefore believe that, before requiring such information, the Commission should carefully consider the benefit it would derive from this data and weigh that benefit against the costs that would be imposed on SEFs.

In addition, we have the following comments regarding certain of the specific data fields identified under Question 36:

Order Date Timestamp: It is unclear which timestamp should be used by a SEF to identify an order that is amended prior to execution. Therefore, if the Commission takes action with regard to this field, it should clarify whether SEFs would be expected to identify a timestamp for the original order or the last amendment to an order.

Match Date Timestamp: If the Commission takes action with regard to the “match date timestamp” and “event date timestamp,” it should explain the difference between them when the reported event is a swap’s execution.

Customer Type: SEFs currently identify swaps as being principal or agency trades. If the Commission determines to require further granularity regarding the parties involved in a swap, then the Commission should clarify what is meant by each customer type. For example, the difference between EBOA and EBFPP is unclear. Further, EBAB is described as “orders placed by an executing broker who also has access to the system,” but we note that everyone trading on Thomson Reuters SEF has access to the system. It is therefore unclear what is meant by this value.

Additionally, we request that the Commission clarify that, in the context of a “dealer-to-customer” swap, this field would only be populated with information about the type of trading engaged in by the dealer (*i.e.*, the liquidity provider), and not the other counterparty.

Order Source: This field does not include SEFs as a “source” for orders. If the Commission takes action with regard to this field, it should either add SEFs to this field or clarify that EXCH means “exchange or SEF activity.”

37. Are the proposed data elements appropriate in identifying which swaps are executed as component legs of a package transaction?

We do not believe the Commission should require that information specifically related to the non-swap components of a package transaction be reported. The Dodd-Frank Act did not provide the Commission with authority to require reporting of non-swap products, even in the context of package transactions. Instead, package transactions should be identified as such in both regulatory and real-time data reporting so that the Commission and the public understand that the price is not reflective of the swap component by itself.

43. Please provide feedback on any aspect of the draft technical specifications for the data elements presented below.

Clearing Exemption Type: Similar to the swap dealing activity exemption, the type of clearing exemption that a market participant relies upon is a legal determination that must be made on a swap-by-swap basis. It is not practical to require these determinations to be made by front-office traders (as would be necessary if SEFs included a field in an order ticket requesting this information). SEFs should not be required to obtain determinations as to the type of clearing exemption that their participants rely upon to include in their reporting.

For these reasons, if the Commission determines that it must have this information, we recommend that it require it to be reported by the reporting counterparty as continuation data.⁸

54. What are the challenges to reporting Independent Amount/Initial Margin and Variation Margin amounts separately? Do you have recommendations for addressing these challenges?

As Staff indicated in the Request for Comment, bilateral agreements regarding margin requirements are generally set forth in a Credit Support Annex or other form of relationship documentation between the counterparties.⁹ SEFs do not have access to this documentation. SEFs can continue to report an “indication of collateralization” as is currently required, but specific information about the terms of margin payments between two counterparties would be difficult, if not impossible, for SEFs to report.

For these reasons, if the Commission determines that it must have this information, we recommend that it require it to be reported by the reporting counterparty as continuation data.

⁸ At a minimum, if the Commission determines to require that such information be reported by SEFs, we request that the Commission explicitly confirm that the SEF has no obligation to evaluate or verify the conclusions that it receives from the counterparties.

⁹ See Request for Comment at 33.

69. How should the spot component of a jurisdictional foreign exchange swap transaction be represented?

As an initial matter, we believe foreign exchange swaps should be reported as multiple foreign exchange forwards. This would be a practical approach because foreign exchange swaps may involve any number of components (*i.e.*, they may not be limited to two legs), so it may not be feasible to build a reporting structure where information about each component is included in one report. Under this recommended approach, each leg or component would be treated as an individual transaction for reporting purposes.

But we do not believe the Commission should require the spot component of a foreign exchange swap (if any) to be reported. That is, if a foreign exchange swap involves one component that is a spot transaction and a second component that is a later-dated forward, then the spot component would not be reported because foreign exchange spots are not reportable under the Commodity Exchange Act or the Commission's regulations.

70. What are the swap data elements best suited to link the spot and forward components of a foreign exchange swap?

As described above in response to question no. 69, we do not believe that reporting of the spot component of a foreign exchange swap should be required.

However, if the Commission determines that such component must be reported, then, as also discussed above, we recommend that the various components be reported separately from one another, and we recommend that a new field be added that would link each component together. This field could be called a "Swap ID," and it would be the same number for each component of a foreign exchange swap. Therefore, all components could be easily identified even though each component would have its own USI.

72. Please provide feedback on any aspect of the draft technical specifications for the data elements presented below.

Delivery Type: It is unclear how this field would be populated for the various FX products. For example, "C" indicates cash settlement, but the description states that this is not to be used for FX-related swaps. Yet, C seems to be the most relevant value for cash-settled FX options. Additionally, it is unclear which value would be used for an "NDF swap" (*i.e.*, a multi-leg NDF).

If the Commission takes action with regard to this field, it should clarify how reporting entities should identify the delivery type for: (1) plain vanilla NDFs, (2) NDF swaps and (3) FX options.

Business Day Convention and Holiday Calendar: The business day convention and holiday calendar adopted by the parties is set forth in the bilateral relationship documentation between the two counterparties. SEFs do not have access to this documentation. If the Commission determines that it must have this information, we recommend that the CFTC require it to be reported by the reporting counterparty as continuation data.

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Fixed Recovery CDS Final Price and Reference Price: We assume that Staff is not suggesting that these fields be required for FX transactions. If the Commission takes action with regard to this field, we request that the Commission explicitly confirm this.

III. Conclusion

Thomson Reuters SEF appreciates the opportunity to provide the Staff with its perspective on the foregoing questions posed in the Request for Comment. If you have any questions regarding our comments, please contact the undersigned at (202) 572-0198.

Respectfully submitted,



Wayne Pestone
Chief Compliance Officer
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