



## asset management group

August 18, 2017

Mr. Amir Zaidi, Director  
U.S. Commodity Futures Trading Commission  
Division of Market Oversight  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

Re: Swaps Reporting Review by the Commodity Futures Trading Commission's (the "**Commission**") Division of Market Oversight ("**DMO**")

Dear Mr. Zaidi:

The Asset Management Group of the Securities Industry and Financial Markets Association ("**SIFMA AMG**" or "**AMG**")<sup>1</sup> appreciates DMO's review of swaps reporting requirements and relatedly DMO's Roadmap to Achieve High Quality Swaps Data ("**Roadmap**").<sup>2</sup>

AMG fully supports DMO's interrelated goals of improving the accuracy of swaps data and streamlining reporting requirements. AMG provides its initial thoughts below on issues to be considered as DMO studies how to make reporting more efficient, effective and accurate while protecting market liquidity, pricing and counterparty confidentiality. We look forward to providing additional, more granular recommendations prior to any rule being published and, as needed, at any point throughout this process.

### **I. DMO's Tranche 1 Review Should Advance Accuracy through Single-Sided Reconciliation and Streamlining of Reporting Workflows**

As DMO "[c]onsiders which counterparty(ies) must perform reconciliations,"<sup>3</sup> we believe that the Commission should continue to have reconciliation requirements apply only on one side of the transaction. Commission Regulation 45.8 establishes the logic for determining which counterparty is the reporting counterparty for the transaction and related workflows, including reconciliation. This

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<sup>1</sup> SIFMA AMG brings the asset management community together to provide views on policy matters and to create industry best practices. SIFMA AMG's members represent U.S. and multinational asset management firms whose combined global assets under management exceed \$39 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.

<sup>2</sup> See CFTC Letter 17-33 (Jul. 10, 2017), *available at*: <http://www.cftc.gov/idc/groups/public/@lrllettergeneral/documents/letter/17-33.pdf>.

<sup>3</sup> Roadmap at 6.

process works well, not only by avoiding duplication, but also by bypassing disincentives and ambiguities that could be caused by shared responsibility. One side to the transaction should have the necessary information for reconciliation provided that swaps reporting is tied to capturing the key terms of the trade; all necessary information is agreed between the parties as part of the trade confirmation and can be reconciled by the reporting counterparty.

AMG further believes that a careful review and refresh of reporting processes in light of the evolving swaps market could yield benefits for data integrity. For example, cleared swaps currently must be reported by the reporting party, only to have that report cancelled and reported again by the central counterparty (“CCP”). This cumbersome workflow leads to errors in reported data, as the initial report of the “alpha trade” does not always get removed. While these requirements were put in place when reporting requirements and clearing mandates were nascent, now that the market has largely moved to straight-through processing,<sup>4</sup> inaccurate “noise” could easily be reduced by removing the initial report now that the time from execution to clearing has been reduced. Also, we suggest that the DMO assess whether a separate data repository is necessary for cleared trades given that the repository duplicates the CCP’s efforts to track positions it clears. Asset managers and their clients are being asked to pay for data repository services over which they have no control in selecting. We question whether the duplication is a necessary expense.

## **II. DMO’s Tranche 2 Review Should Lead Global Reporting Standards Towards Greater Efficiencies and Include an Assessment of Public Dissemination**

### **A. Harmonization**

AMG agrees with DMO’s aim of “working to harmonize data fields with foreign regulators, building on the CPMI-IOSCO process and Dec CFTC RFC,”<sup>5</sup> but believes that the Commission should only harmonize those fields that are necessary to achieve its regulatory goals, and eliminate other fields that are unnecessary; the Commission should also preserve the single-sided nature of reporting under Commission Regulations.

AMG strongly supports global harmony for trade reporting as the best means of achieving efficiency and usable swaps data. As active industry participants of the CPMI-IOSCO work on the harmonization of key OTC derivatives data elements (the “Harmonization Group”), AMG and its members have supported the initiatives undertaken to develop guidance for uniform swaps data for OTC derivatives products, including transaction and classification codes and other data elements. AMG has recommended that the Harmonization Group proceed in a manner that maximizes data quality, economizes the resources of market participants and protects confidentiality of counterparties.

At the same time, harmonization should not occur if it will increase inefficiencies for reporting in the U.S. Swaps reporting in Europe remains unduly burdensome and should not serve as standard to which the Commission should harmonize. Swaps reporting in Europe also remains in flux, as

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<sup>4</sup> See Staff Guidance on Straight-Through Processing (Sept. 26, 2013), available at: <http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/stpguidance.pdf>.

<sup>5</sup> Roadmap at 8.

additional fields will be required in November 2017 under the European Market Infrastructure Regulation (“**EMIR**”) and, at the same time, the European Commission is conducting its review of EMIR to determine which of its regulations can be made more efficient, including reporting. In addition to reporting under EMIR, separate reporting requirements are imposed in Europe on swaps and other instruments under the Markets in Financial Instruments Directive (“**MiFID**”), with which market participants have complied and will have new requirements under MiFID II beginning on January 3, 2017. Further, the reporting requirements are imposed upon both sides of the transaction. Cumulatively, these requirements lead to inefficiencies and poor data quality.

AMG hopes that the Commission will lead the global swaps market towards greater efficiencies in swaps reporting. In doing so, and in considering existing and new data requirements, we believe that swaps reporting should remain single-sided and focused on the economic nature of the transaction. The reporting side should be able to source the information needed through the trade confirmation, their own knowledge of the transaction (*e.g.*, the unique transaction identifier (“**UTI**”) and unique product identifier (“**UPI**”) and, for some elements, information obtained through onboarding the trading relationship. DMO’s consideration of leveraging “existing confirmation processes to aid in reporting”<sup>6</sup> is consistent with this approach. Transactional details beyond these are far less purpose-driven and erode the efficiency and one-sided nature of reporting.

AMG further recommends that, once identifiers like UPIs become operational, DMO consider whether it can reduce overlapping fields.

Finally, while many of our suggestions focus on reducing fields, we suggest consideration of whether certain, additional fields for public dissemination would improve transparency and data quality. For example, a field designating contracts as being part of a package transaction would help market participants interpreting the publicly-disseminated data and would also help regulators’ understanding package transactions. This potential addition follows the above-stated principle of using purpose-driven fields tied to the economic nature of the transaction; however, the field is not currently present in Commission requirements.

## **B. Public Dissemination**

As DMO considers whether to shorten reporting deadlines and, relatedly, public dissemination of the data, AMG asks that DMO evaluate the impacts, if any, on market liquidity and counterparty confidentiality. Certain swaps are not as liquid as others and have fewer active counterparties, making an increase in speed for public dissemination potentially counterproductive and harmful. While we do not assert that liquidity and confidentiality necessarily will be impacted by faster public dissemination of data, such changes could further the need to examine block trade thresholds to protect counterparties and markets, and potentially other changes.

In addition, AMG requests that DMO consider whether dissemination of block trade information after the current 15-minute delay impacts market liquidity and the pricing of block trades.

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<sup>6</sup> Roadmap at 10.

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In summary, AMG recommends that DMO, and ultimately, the Commission:

1. Advance reconciliation improvements and related data accuracy through steps that maintain single-sided reporting and single-sided reconciliation responsibility;
2. Lead optimization and global harmony of swaps data reporting while not adopting burdensome reporting approaches that may continue in other jurisdictions;
3. Improve swaps reporting efficiencies by focusing on purpose-driven fields that largely can be derived from trading confirms, and by removing fields that duplicate information embedded within unique identifiers that have been developed; and
4. Consider whether dissemination of block trade information after the current 15-minute delay impacts market liquidity and the pricing of block trades.

AMG believes it is imperative for the Commission to actively engage market participants regarding this important undertaking and ensure that the more granular details of swaps reporting are debated publicly with all affected parties before any rule proposal is published. Consistent with DMO's announcement of its review, AMG looks forward to participating in future discussions on how to best simplify reporting and improve data quality. We are available to discuss these recommendations whenever would be helpful to your review. Should you have any questions, contact Tim Cameron at 202-962-7447 or [tcameron@sifma.org](mailto:tcameron@sifma.org), or Laura Martin at 212-313-1176 or [lmartin@sifma.org](mailto:lmartin@sifma.org).

Respectfully submitted,



Timothy W. Cameron, Esq.  
SIFMA Asset Management Group – Head



Laura Martin  
SIFMA Asset Management Group –  
Managing Director and Associate  
General Counsel

CC: Mr. Dan Bucsa, Deputy Director  
Mr. Andrew Ridenour, Special Counsel  
Mr. Benjamin DeMaria, Special Counsel