

clear to trade



Eurex Clearing AG

Comment Paper on the “Roadmap to Achieve High Quality Swaps Data” issued on July 10, 2017 by the Commodity Futures Trading Commission

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A. General remarks

Eurex Clearing welcomes the opportunity to comment on the consultation 'Roadmap to Achieve High Quality Swaps Data' published by the Commodity Futures Trading Commission (CFTC) in July 2017. We appreciate being part of the international consultations and assessments conducted by the CFTC and supports the Commission's efforts to achieve high quality swaps data for post-trade transparency while streamlining reporting processes under consideration of their consistency within different supervisory regimes as well as to right-size the data elements to be reported.

This comment paper is structured as follows. The first section starts with an introduction of Eurex Clearing. The second section provides detailed comments on the two tranches outlined in the roadmap document.

B. Introduction Eurex Clearing

Eurex Clearing, as a globally leading central counterparty (CCP), assures the safety and integrity of markets while providing innovation in risk management, clearing technology and client asset protection. As part of Eurex Group, Eurex Clearing acts as the CCP for Eurex Exchanges, Eurex Bonds, Eurex Repo, the FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) and the Irish Stock Exchange. Eurex Clearing serves more than 190 clearing members in 17 countries.

On April 10, 2014 Eurex Clearing's national competent authority BaFin (Federal Financial Supervisory Authority) approved its application as a clearing house in accordance with the European Market Infrastructure Regulation (EMIR). The authorization as EMIR compliant CCP also determines Eurex Clearing as qualifying CCP (QCCP) under the Capital Requirement Directive IV (CRD IV). Additionally, Eurex Clearing is recognised as a German credit institution in accordance with the German Banking Act (Kreditwesengesetz, KWG).

In 2015 Eurex Clearing performed a self-assessment of its compliance with the Principles for Financial Market Infrastructures (PFMIs) issued by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organisation of Securities Organisation (IOSCO). The assessment was conducted in accordance with the CPSS-IOSCO report, setting out the disclosure framework for financial market infrastructures and the assessment methodology for the principles for FMIs and the responsibilities of authorities. KPMG, as an independent outside auditor, reviewed and validated Eurex Clearing's self-assessment and concluded that Eurex Clearing fully observes the CPSS-IOSCO PFMIs. Additionally, the IMF audited and confirmed twice Eurex Clearing's compliance with the PFMIs during their Financial Sector Assessment Program of Germany (FSAP). Further information is available within the report 'Detailed assessment of observance – Eurex Clearing AG observance of the CPSS-IOSCO Principles for Financial Market Infrastructures' published in September 2011 and June 2016.

On February 1, 2016 the CFTC issued an order granting Eurex Clearing registration as a derivatives clearing organization (DCO) under the Commodity Exchange Act (CEA).

C. Detailed comments

Tranche 1: SDR Operations Review

SDR Validations / Ensure Counterparties Confirm Accuracy of SDR Data

Eurex Clearing is of the opinion that processes on U.S. Swap Data Repository (SDR) level to evaluate the consistency and completeness of swap data is supporting CFTCs aim to receive accurate, complete and high quality data.

Eurex Clearing, as the reporting counterparty, values the receipt of timely validation reports including an audit trail level of each swap. On basis of the SDRs validation, the reporting counterparty would be in the position to evaluate the rejection and resubmit corrected reporting data in a timely manner. The confirmation of the accuracy of SDR Data by the counterparties is directly connected to such evaluation process and the correlation of both is contributing to the high quality of the data. Any delay in corrective actions by the reporting counterparties might have an impact on the quality and accuracy of the data held in an SDR.

Tranche 2: Reporting Workflows

Streamline Workflows

From Eurex Clearing perspective, the clear definition of the set of data elements to be reported would substantiate CFTCs goal to receive accurate data from the reporting counterparty. On basis of a clearly defined set of data, the reporting counterparty is in a position to require exact information from involved parties and streamline the reporting processes to the CFTC.

When streamlining workflows, Approved Trade Sources, which are used to submit the swaps to the reporting counterparty, should also be taken into consideration. These middleware providers play a crucial role in offering the counterparties the respective data fields to provide the reporting counterparty with all necessary information for an accurate reporting. In case the Approved Trade Sources do not offer the respective data fields, the receipt of complete and accurate information on the level of the reporting counterparty is aggravated.

For example, as part of the recent amendment of 17 C.F.R. § 45 of the U.S. Code of Federal Regulations (Part 45 Rule) the termination of alpha swaps, cleared by Eurex Clearing and subject to the CFTC reporting obligation, has to be reported to SDRs to which the alpha swap was initially reported. In case the reporting counterparty does not get the sufficient information on e.g. the initial SDR from the clearing member via the Approved Trade Source, a streamlined and correct termination of the alpha swap is not possible.

Focus on Key Data Fields / Re-evaluate Reporting Deadlines under Part 45

Eurex Clearing agrees with the Commissions approach to harmonize data fields and align reporting deadlines through different jurisdictions and regulatory regimes, like CPMI-IOSCO, SEC or ESMA.

From Eurex Clearings perspective, the development of market wide practices would promote uniform international reporting standards as well as high quality data.

Simultaneously the operational efforts for the reporting counterparties would be simplified. In addition, the comparability of data elements through different jurisdictions contributes to a streamlined data reporting regime and promote an efficient, industry-wide supervision.