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August 21, 2017

Via Electronic Submission

Chris Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Re: Roadmap to Achieve High Quality Swaps Data

Dear Mr. Kirkpatrick,

The Depository Trust & Clearing Corporation (“DTCC”)¹ in conjunction with its swap data repository (“SDR”), DTCC Data Repository (U.S.) LLC (“DDR”), appreciates the opportunity to provide comments to the Commodity Futures Trading Commission (“CFTC” or “Commission”) regarding the Roadmap to Achieve High Quality Swaps Data, which sets forth the Commission’s plan to improve swap data reporting along with our proposed timelines (the “Roadmap”).²

DTCC commends the CFTC for undertaking this important initiative. DTCC agrees that focusing on ways to optimize the data and swap reporting regime should lead to cleaner, high-quality data, which will help make the derivatives markets safer and more transparent. DTCC appreciates the Commission’s efforts to take the views of all stakeholders into consideration throughout this process. To facilitate this process, DTCC recommends that the Commission establish regular “working group” meetings with SDRs and relevant stakeholders to work through the operational application of the proposed changes. DTCC also hopes that the Commission will continue to take a leadership role in the international data harmonization efforts.

¹ DTCC provides services for a significant portion of the global other-the-counter derivatives market and has extensive experience operating repositories to support derivatives trade reporting and enhance market transparency. DTCC’s Global Trade Repository service supports reporting across all five major derivatives asset classes and exchange traded derivatives in nine jurisdictions across 33 countries.

² CFTC Letter 17-33 (July 10, 2017).

Leveraging International Harmonization Processes.

DTCC agrees with the steps set forth in the Roadmap. In particular, DTCC appreciates the Commission's goal to leverage the international data harmonization processes.³ The absence of harmonized global data standards across jurisdictions and repository providers results in data that cannot be leveraged to its full extent due to inconsistencies. As the industry works within these international data harmonization processes to eliminate inconsistencies, DTCC believes that the Commission should use this work to eliminate PET and Confirmation timeframes, and align with global reporting requirements for events, trade states, valuations, and collateral.⁴ Harmonized global data standards would lead to higher quality data, which would facilitate the ability of regulators to have a view of systemic risk by creating a consistent framework across jurisdictions. Harmonized global data standards would also eliminate bifurcated operational processes.

SDR Validation Processes.

In addition, DTCC fully supports enhancing existing SDR validation processes and looks forward to working with the Commission and staff from the Division of Market Oversight to identify an initial set of minimum validations, including identifying more prescriptive field requirements, and refine the process for rejecting swap data submissions with missing or invalid data. Enhancing these validation processes should improve consistency and completeness of data reporting. Data can come to a registered SDR from a variety of different sources (e.g., exchanges, swap dealers or smaller counterparties), which informs the validation processes that an SDR establishes. Allowing for the enhancement of SDR validation processes would help establish a strong market behavioral requirement that should lead to a standard market practice resulting in improved data. DTCC believes that the public-private partnership called for by this initiative will result in a better swaps data reporting framework, and is happy to lend its expertise as the Commission furthers this important work.

Reporting Workflows, Technical Specifications.

With respect to the Tranche 2: Reporting Workflows, Technical Specifications, DTCC fully supports the development of comprehensive technical specifications for SDR validations. In addition, DTCC supports DMO Staff's proposal to "include definitions, form and manner

³ Initiatives undertaken by groups such as CPMI-IOSCO's Harmonisation Group are key to advancing the G20's goals of improving transparency, mitigating systemic risk and preventing market abuse. DTCC notes that CPMI-IOSCO issued multiple consultations regarding key OTC derivatives data elements, and is currently seeking comment on the third in a series of consultations - "Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – third batch" - which seek to provide guidance on the definition, format and allowable values of critical data elements to facilitate more meaningful global aggregation. CPMI-IOSCO issued final technical guidance regarding Unique Transaction Identifiers (UTI) in February 2017 and is expected to issue guidance on Unique Product Identifiers (UPI) in 2017 and guidance on critical data elements in early 2018. DTCC hopes that the output from these initiatives will help form the foundation for the Commission's work in this area.

⁴ DTCC believe that PET and Confirmation data should be viewed as a single set of data elements. Combining these data elements into a single set, would remove uncertainty regarding what data elements are required to be reported to the SDR. In developing a single reportable set of data elements, the Commission could leverage the international data harmonization work that CPMI-IOSCO is undertaking with respect to the identification of a minimal set of critical data elements. Such an approach is the most effective and efficient method to achieve harmonization and alignment of these data elements. In addition, this alignment would simplify the reporting obligation of relevant stakeholders within the CFTC reporting framework as well as globally, and provide a more harmonized data set to the Commission.

specifications, mapping to existing data languages (FpML and FIX), and allowable values where appropriate.” This proposal would avoid mandating any one data language, which provides sufficient flexibility to the SDRs and avoids costly changes to existing systems. In addition, the Commission should allow for sufficient flexibility to facilitate technological advancements.

Accuracy of SDR Data.

On the issue of identifying the most efficient and effective solution for swap counterparties to confirm the accuracy and completeness of data held in an SDR, DTCC would like to offer the following comments for consideration. Section 21(c)(2) of the CEA says that SDRs should “confirm with both counterparties to the swap the accuracy of the data that was submitted”.⁵ In the adopting release for Part 49, however, the Commission acknowledged “that it may not be necessary [for an SDR] to affirmatively communicate with both counterparties in all circumstances” to confirm the accuracy of the data that was submitted.⁶ Accordingly, after carefully considering public input, the Commission took practical realities into account and adopted section 49.11, which implemented this statutory requirement.⁷ DTCC supports this legal analysis and appreciates the Commission’s efforts to implement the law in a manner that is consistent with the realities of the market place. SDRs are receivers of data and usually only have relationships with the submitting party or the counterparty that has a reporting obligation pursuant to the Commission’s rules. Where an SDR does not have a relationship with a non-reporting counterparty, it is logistically difficult and overly burdensome, if not impossible, for the SDR to confirm the information with that non-reporting counterparty, especially where the SDR has limited information to conduct the outreach and authentication of the contact or information provided. An SDR has no “stick” to enforce compliance with such outreach. Moreover, an attempt by an SDR to confirm data accuracy with the non-reporting counterparty could introduce the risk of inadvertent disclosure of confidential transaction data, which could hinder, rather than promote, safe market operations. Therefore, the cost of requiring SDRs to confirm accuracy and completeness far outweighs the likely success of such actions. As the Commission recognized, the burden of accuracy and completeness rightfully sits with the party with the obligation to report, or the submitting party, as long as the SDR provides procedures for such parties to review submissions and correct errors.

Accordingly, the Commission should find that an SDR has satisfied its obligation to confirm the accuracy of the data under the following circumstances:

(i) required trade data has been reported by a swap execution facility, clearing agency, designated contract market, swap dealer, or other regulated counterparty that has an independent obligation to maintain the accuracy of the transaction data; or

⁵ 7 U.S. Code § 24a(c)(2).

⁶ Swap Data Repositories: Registration Standards, Duties and Core Principles, 76 FR 54538, 54547 (2011).

⁷ For example, as adopted, § 49.11 “does not require an SDR to affirmatively communicate with both counterparties when data is received from a SEF, DCM, DCO, or third-party service provider under certain conditions. Communication need not be direct and affirmative where the SDR has formed a reasonable belief that the data is accurate, the data or accompanying information reflects that both counterparties agreed to the data, and the counterparties were provided with a 48-hour correction period.”

(ii) SDR has developed and implemented policies and procedures reasonably designed to provide the non-reporting side of the SDR with an opportunity to onboard and review the information submitted by the reporting side.

DTCC notes that section 4r of the CEA sets forth a clear reporting hierarchy for the swap data reporting requirements.⁸ Sections 21 and 4r of the CEA therefore create the foundation for the swap data reporting regime. As such, these provisions must be viewed together, rather than considered independently. When taken as a whole, DTCC believes that this position articulated above is both consistent with the requirements set forth in the CEA and fully takes into account the practical and logistical realities of the market place. DTCC further notes that there are existing processes that can be leveraged by market participants as tools to confirm data accuracy.⁹ However, DTCC recognizes the complexities involved with confirming the accuracy of the data. As such, DTCC suggests that the Commission continue to work with relevant stakeholders to identify the most efficient and effective solution to this issue.

DTCC supports the Commission's efforts to improve the swaps data reporting framework and offers the above general comments for CFTC review as it carefully considers rule amendments. We welcome the opportunity to further discuss these comments and to provide additional information to assist in this critical endeavor.

Yours sincerely,



Larry E. Thompson
Vice Chairman

⁸ 7 U.S. Code § 6r.

⁹ For example, portfolio reconciliation exercises required pursuant to Part 23 could serve as the primary mechanism to confirm accuracy of data reported to SDRs.