



International Organization for Standardization
Organisation internationale de normalisation
Международная организация по стандартизации



Ch. de Blandonnet 8 | CP 401, 1214 Vernier | Geneva, Switzerland | T: +41 22 749 01 11 | central@iso.org | www.iso.org

ISO/TC68/AG2 - Standards Advisory Group

3 July 2018

To: Commodities Futures Trading Commission
Re: Request for Input on LabCFTC Prize Competitions

We write to you in our capacity as co-chairs of the Standards Advisory Group (SAG) of Technical Committee 68 of the International Organization for Standards (ISO) TC68/AG2.

ISO is an independent, non-governmental international organisation with a membership of 163 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

TC68 is the Technical Committee within ISO tasked with developing and maintaining international standards covering the areas of banking, securities, and other financial services. It is organized into Sub-Committees encompassing information exchange, reference data and security to quickly respond to the standardization needs of the stakeholders and users mainly in industry, regulators, and central banks.

The Standards Advisory Group (SAG) as a subgroup of TC 68 acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. The SAG enables a proactive dialogue with regulators on financial services standards matters.

The SAG's objectives are:

- Provide a forum for mutual assistance between the global regulatory community and ISO in carrying out their respective authorities and responsibilities with respect to financial services standards;
- Aid the adoption and promotion of consistent standards, where possible;
- Effectively deal with common issues collectively and consistently; and
- Encourage strong and open communication within the regulatory community and with the industry concerning financial services standards.

The present SAG's response represents a collective view of its membership and draws upon its knowledge as an expert standard setting body with practitioner-led experience in the development and use of standards.

We note that the Commodities Futures Trading Commission (the "CFTC") recently published a Request for Input; seeking views on areas of focus for the CFTC's LabCFTC prize initiative, concerning facilitation of the development and implementation of market-enhancing FinTech.

While it is not within our scope to address all the specifics of this Request for Input, we do wish to make some general comments on how the use of ISO standards could be used to facilitate market-enhancing FinTech solutions relevant to the LabCFTC prize initiative.

General Comments

We note the broad range of FinTech developments which the LabCFTC prize initiative is seeking to address, including improving the accessibility of CFTC regulations. Across many of the regulatory areas specified in the Call for Input, we urge the CFTC to focus on regulatory reporting.

Regulatory reporting has historically proven to be an area where specificity is a prerequisite, and uncertainty or optionality regarding what and how to report often leads to unsatisfactory and inconsistent data. Today's approaches suffer from:

- Excessive complexity and, in certain cases, the outright incompatibility of the rule-set with the firms' internal product and business taxonomies.
- The quality, consistency, and standardisation of data, particularly with the difficulties surrounding the collection and publication of reference data.
- The inefficient ways in which regulators and firms implement policy changes and make the necessary alterations to their reporting systems.

Given the ever-increasing expectations for the use of the data which is reported, this model is not sustainable – and degrees of standardization will be required. While ISO will not be able to own the full 'end to end' standards for regulatory and business language definition, we believe that ISO data standards have a key role to play.

Many of the standards developed by ISO (and other related standards bodies) facilitate efficiencies and understanding between market participants, particularly in the realm of financial regulation. Since regulatory reporting (and much FinTech development generally) is fundamentally data driven, consistency is vital. This consistency can only be achieved if all stakeholders share the same understanding of the meaning and purpose of the relevant data.

Consistent understanding of data is important throughout a broad range of activities that might usefully be addressed by FinTech solutions.

In our view recognition of the successful application of key ISO standards (such as those within the remit of TC 68) which enable consistent understanding of data, should form an important element in the LabCFTC prize competitions.

One ISO standard of relevance we particularly want to highlight in this context is ISO 20022.

ISO 20022 can be used to standardize a common data model. Some brief details on ISO 20022 are provided below. More detailed documentation is available and can be provided upon request.

ISO 20022 - "Universal financial industry message scheme" is the open methodology for developing new financial messaging standards and for harmonizing existing financial messaging standards. ISO 20022 is an initiative of the International Organization for Standardization (ISO). ISO 20022 was conceived to harmonize the fragmented financial standards landscape and can best be described as a 'recipe' for developing financial messaging standards. The main ingredients of this recipe are a development methodology, a registration process, and a centralized, machine-processable "e-Repository". In addition, ISO is also helping to develop the interoperable semantic framework which can be used to help guide the interpretation of whether a particular business, product or geography needs to report.

ISO 20022 uses a data dictionary with well-defined terms and definitions for financial services represented in a standardized way, independent of any syntax. This common, open, well-defined and well-used set of data terms developed in ISO 20022 supports the implementation of regulatory reporting requirements and ensures the level of interoperability that is necessary. Thanks to this central dictionary, all the ISO 20022 messages share a common understanding

and representation of business data which helps the business information to flow smoothly from one message to the other along the transaction life cycles.

The ISO 20022 governance process, led by the Registration Management Group and the Registration Authority, allows for open, requirements-led development and maintenance of ISO 20022 messages and message components. It provides a framework for any organization in the world to submit a 'change request' and/or a 'business justification' for a new or revised application. It also provides mechanisms for advising on implementing the standard in new technologies, such as with standardized Application Programming Interfaces (APIs), which is part of a broader effort to develop web service-based APIs in financial services.

ISO 20022 is not controlled by a single interest and is open to anyone in the industry who wants to participate. It is free for anyone to implement in any business or software environment, or on any network, and has already been adopted for a number of regulatory reporting rules in some markets.

In conclusion we would repeat the suggestion made above that across the potential topics for LabCFTC competitions outlined in the request for input, that the CFTC include a clear focus on the standardisation of data. Specifically we suggest that the CFTC include, where appropriate, incorporation of support for open data standards (such as those developed by ISO) as a requirement within successful solutions, and give particular recognition to those which leverage and support the open data model of ISO 20022.

We stay at your disposal to address any questions or concerns you might have related to ISO standards in the field of competence of ISO TC68. Such requests should be directed to Christine Jozet, Secretary of the ISO TC68/AG2 (christine.jozet@ecb.europa.eu).

We trust these comments can be taken into consideration and be useful for the progress of your work.

Thank you and regards,

Allie Harris

Co-Chair of the ISO/TC68/AG2

François Laurent

Co-Chair of the ISO/TC68/AG2