

Via electronic submission

May 22, 2020

Mr. Christopher Kirkpatrick
Secretary of the Commission
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

**Re: Swap Data Recordkeeping and Reporting Requirements, RIN Number 3038-AE31;
Certain Swap Data Repository and Data Reporting Requirements, RIN Number
3038-AE32**

Dear Mr. Kirkpatrick:

LCH Ltd and LCH SA (together “LCH”) welcome the opportunity to respond to these requests for comment from the Commodity Futures Trading Commission (“CFTC” or “Commission”) regarding the Swap Data Recordkeeping and Reporting Requirements Rule Proposal (“Part 45 Proposal”)¹ and Certain Swap Data Repository and Data Reporting Requirements Proposal (“Part 49 Proposal”).² We commend the CFTC’s initiative to streamline the requirements for reporting new swaps and adopt swap data elements that harmonize with international technical guidance.

LCH is an international, multi-asset class group of clearing houses, or central counterparties (“CCPs”), that manage risk of many diverse portfolios of cleared derivatives.³ LCH has supported regulatory reform enhancements to the global structure governing derivatives markets that have resulted in a comprehensive, stronger, and more robust risk management framework for CCPs, clearing members, and end-users of derivatives.

LCH is majority owned by the London Stock Exchange Group (“LSEG”), a diversified international financial market infrastructure business. LSEG’s post-trade division also includes the Italian securities settlement system, Monte Titoli, and clearing house, Cassa di

¹ CFTC, “Swap Data Recordkeeping and Reporting Requirements,” 85 FR 21578, available at <https://www.govinfo.gov/content/pkg/FR-2020-04-17/pdf/2020-04407.pdf>.

² CFTC, “Certain Swap Data Repository and Data Reporting Requirements,” 84 FR 21044, available at <https://www.govinfo.gov/content/pkg/FR-2019-05-13/pdf/2019-08788.pdf>. Given the relationship between these two CFTC proposals, we have consolidated our comments into one letter submission for both comment files.

³ LCH Group is a leading multi-asset class and multi-national group of clearing houses, serving major international exchanges and platforms as well as a range of OTC markets. LCH Group clears a broad range of asset classes including securities, exchange-traded derivatives, foreign exchange derivatives, interest rate swaps, credit default swaps, and euro and sterling denominated bonds and repos. LCH Ltd’s home regulator is the Bank of England (“BoE”). LCH SA’s home regulators are the Autorité des marchés financiers (“AMF”) and Autorité de Contrôle Prudentiel et de Résolution (“ACPR”).

Compensazione e Garanzia (“CC&G”). Our combined LSEG post-trade offering covers a wide range of products, asset classes, and clearing services on an open access basis in partnership with our customers and stakeholders.

LCH commends the CFTC’s Division of Market Oversight (“DMO”) efforts to streamline and harmonize its swaps reporting requirements, while balancing the needs of the CFTC with the views provided by the industry in response to DMO’s Swap Data Reporting Review (“DMO Roadmap”).⁴ Strong, robust, and transparent swaps data are vital to monitoring the swaps markets, which is even more important during periods of market volatility such as the current market environment.

We elaborate on the following summary points below:

- I. **International Harmonization:** LCH supports the Part 45 Proposal’s efforts to harmonize CFTC requirements with requirements of other regulators globally. In particular, extending the reporting timeline, requiring margin and collateral reporting requirements, implementation of the Unique Transaction Identifier, and Legal Entity Identifier issuance under the International Organization for Standardization will reduce cross-border complexity associated with swaps reporting.
- II. **Swaps Reporting Verification Requirement:** DCOs that already report on a daily basis should be exempt from the proposed weekly verification requirement.
- III. **Compliance Date:** LCH recommends the CFTC set the compliance date for all requirements under the proposal to 12 months from publication of final rule in the Federal Register.

LCH provides the following specific comments in response to the Part 45 Proposal and Part 49 Proposal:

§ 45.3 – Swap Data Reporting

LCH supports the Part 45 Proposal’s reporting deadline extension for reporting counterparties from as soon as technologically practicable (“ASATP”) to T+1 following the execution date.⁵ Not only will this provide reporting counterparties with more time to ensure the accuracy of the data reported, but it harmonizes timing deadlines with other jurisdictions.

The Part 45 Proposal also requires that swap dealer, major swap participant, or derivatives clearing organization (“SD/MSP/DCO”) reporting counterparties also report margin and collateral data for both cleared and non-cleared swaps.⁶ The benefits of including margin and

⁴ Division of Market Oversight Announces Review of Swap Reporting Rules in Parts 43, 45, and 49 of Commission Regulations, CFTC Letter 17-33, July 10, 2017, available at <https://www.cftc.gov/sites/default/files/idc/groups/public/@lrllettergeneral/documents/letter/17-33.pdf>; Roadmap to Achieve High Quality Swaps Data, July 20, 2017, available at https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/dmo_swapdataplan071017.pdf.

⁵ 85 FR 21578 at 21585.

⁶ *Id.* at 21590-91.

collateral reporting was one area LCH highlighted in its response to the DMO Roadmap.⁷ As such, LCH supports the Part 45 Proposal's inclusion of margin and collateral reporting.

§ 45.5 – Unique Transaction Identifiers

The Part 45 Proposal would replace the Unique Swap Identifier (“USI”) requirement with the Unique Transaction Identifier (“UTI”), which would be comprised of the Legal Entity Identifier (“LEI”) of the generating entity and a unique alphanumeric code.⁸ LCH supports implementing the UTI Technical Guidance⁹ and agrees with the CFTC that this implementation would reduce cross-border reporting complexity and encourage global swap data aggregation.

LCH also supports the Part 45 Proposal's requirement that DCO's generate the UTI for off-facility cleared swaps as it is in line with the CPMI-IOSCO UTI Technical Guidance.¹⁰ The Part 45 Proposal further clarifies that for swaps reportable in more than one jurisdiction (“Cross-Jurisdictional Swaps”), the UTI for such swaps be generated according to the regulations of the jurisdiction with the earliest reporting deadline.¹¹ We recommend the CFTC additionally apply the factors provided by Table 1 in the CPMI-IOSCO UTI Technical Guidance¹² when determining which party generates the UTI to avoid uncertainty and further enhance Cross-Jurisdictional Swaps data.

§ 45.6 – Legal Entity Identifiers

The Part 45 Proposal would require that Legal Entity Identifiers (“LEI”) used in Part 45 swaps reporting be issued under the International Organization for Standardization (“ISO”) Standard 17442, LEI, issued by the ISO and that the LEI's be renewed annually in accordance with the standards set by the Global LEI System.¹³ LCH supports this Proposal and commends the CFTC's initiative to harmonize with international standards as well as provide clarity to U.S. market participants. However, LCH has concerns regarding the treatment of swap data that contains lapsed LEIs, particularly if that data would be rejected by a Swap Data Repository (“SDR”). LCH recommends the CFTC include language that would clarify that SDRs would not reject data if an LEI lapses, but rather a notification be sent concerning the lapsed LEI so it can be addressed.

§ 45.14 – Verification of Swap Data Accuracy

The Part 49 Proposal would require SDRs to produce weekly open swaps reports to SD/MSP/DCO reporting counterparties in order to verify the data submitted to the SDR within

⁷ LCH Response to DMO Swap Data Reporting Review, August 21, 2017, available at <https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=61296&SearchText=>.

⁸ 85 FR 21578 at 21591.

⁹ CPMI-IOSCO, Technical Guidance, Harmonisation of the Unique Transaction Identifier, February 2017, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD557.pdf>.

¹⁰ 85 FR 21578 at 21594.

¹¹ *Id.* at 21595.

¹² See CPMI-IOSCO UTI Technical Guidance at 12-13.

¹³ 85 FR 21578 at 21596-97.

prescribed timeframes (“Verification Requirement”).¹⁴ LCH supports expanding the scope of verification requirements. However, the proposed verification process duplicates reconciliation processes performed by DCOs to ensure timely and accurate submissions. LCH performs reconciliations on Financial products Markup Language (“FpML”) messaging and use the SDR T+1 position reporting to reconcile populations and core attributes including valuations for each business day. Therefore, we respectfully request the CFTC not impose the Verification Requirement on DCO reporting counterparties.

Compliance Date

The CFTC expects to finalize all swaps reporting rules at the same time and would provide market participants one year to comply with all aspects of the rules, other than the adoption of UTI. The compliance date for adoption of UTI would be December 31, 2020, in accordance with the recommended deadline of the FSB.¹⁵

LCH recommends the CFTC allow market participants one year from finalization to comply with all aspects of the rules, including the adoption of UTI. A compliance date of December 31, 2020 for UTI does not provide ample time for market participants to comply with this change in requirements.

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LCH appreciates the opportunity to comment on this Proposal and looks forward to contributing further on this important initiative.

Sincerely,



Jonathan Jachym
Head of Government Relations and Regulatory Strategy, Americas
London Stock Exchange Group

¹⁴ 84 FR 21044 at 21067.

¹⁵ 85 FR 21578 at 21641.