

April 11, 2024

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

RE: Real-Time Public Reporting Requirements and Swap Data Recordkeeping and Reporting Requirements, RIN 3038–AF26

Dear Secretary,

AEGIS SEF, LLC dba AEGIS Markets (“AEGIS”) welcomes the opportunity to comment in response to CFTC Staff’s questions regarding the proposal for additional Real-Time Public Reporting Requirements and Swap Data Recordkeeping and Reporting Requirements. We are grateful to share our views so that they can be considered when adopting the commodity class UPI and the new fields.

As a Swap Execution Facility which submits/allows third party reporters to submit to multiple Swap Data Repositories, AEGIS is uniquely positioned to comment on changes to SDR reporting. This is further supported by the changes in requirements for the Commodity class, where AEGIS conducts the majority of its reporting.

Unique Product Identifier (UPI)

As we understand it, UPIs that would be required to be geographically masked for Part 43 open the possibility for more than one UPI for the same product (Part 43 UPI, Part 45 UPI). The issue with this also leads into another problem: if a product can have more than one UPI when geographic masking is required, then what is to stop each submitter from having their own UPIs for their own products? There needs to be more clarity on the requirements and controls around UPI creation as allowing this would defeat the point of implementing a unique identifier for each product... the UPI would no longer be unique.

Implementation of new UPI requirements will also create a technical lift and financial burden for firms who will need to redesign and/or increase dataflows to handle new requirements. Considerations that firms will have to review include:

- **Platform Integration:** firms will need to decide between implementing full Anna DSB API connectivity, with integrated inbound and outbound dataflows, or a more manual solution such as static tables, end of day files, or manual lookups before compliance deadlines.
- **Flow Enhancements:** firms will need to update existing process flows, establish new operational procedures and redesign the control framework to ensure data completeness and accuracy.
- **Control Framework:** firms should implement controls to validate that the obtained UPI is correct, both internally for the trade data set being reported (given the TR will also be validating this value) and with the counterparty (given the UPI could differ based on each firm’s interpretation of product traded).

Additionally, SEFs will want to cross check their understanding of UPIs with Continuation reporters who are transacting on their platforms.

Proposed New Fields

Harmonization is the stated goal of the Commission, yet the addition of 49 new fields to swap data reporting requirements creates increased opacity for global harmonization of data.

Making changes to reporting to add 49 new fields is a considerable undertaking. Given that the whole goal of SDR reporting has been to harmonize efforts for greatest regulatory transparency of the swaps markets, we believe the Commission is going in the opposite direction, given this rewrite harmonizes 19 fields yet creates 30 new ones. Would it not make more sense to agree to harmonized standards on any new fields before making them mandatory? Otherwise, we suspect that some or all of these fields will change again, requiring yet more work.

Also, the requirement for some fields such as the “USD equivalent regulatory notional amount” poses potential financial and technological burdens to implement. This field may require subscribing to an external service to get the current exchange rate to USD for any non-USD contract. What would be the agreed upon standard reference currency conversion price? Other peer SEFs have raised many questions about many different new fields being proposed, opening up the distinct possibility that a range of unintended submissions will be generated by reporters; this highlights the need for much better clarity on what is expected for each field.

A critical step in any reporter’s efforts to correctly deliver these fields will be the adequate testing of submissions in the UAT environment. Each SDR will need to make this UAT environment available with adequate time before compliance with the regulations are required. If the SDRs are not able to provide a UAT environment with adequate time, the Commission needs to be ready to extend the compliance date.

Pause

Given the questions on (1) UPI sourcing/masking (2) process controls and (3) logistical clarity on too many new fields, we suggest implementing the commodities UPI in one stage, harmonized fields in a second stage and remaining new fields in a third stage. This would enable a staggered process for implementation where resources can be better managed.

Summary

There are significant logistical hurdles for industry implementation of the proposed changes to SDR reporting. The Commission is required to balance its mandate from Dodd Frank (derivatives reporting transparency, risk monitoring) with methods which are (quoting Commissioner Pham) “practicable and feasible.” Core Principles are at odds, as resources for a new Compliance burden are significant. We recommend staggered implementation to enable more efficient use of resources to integrate the Commodities UPI and 49 new fields.

Sincerely,



Andrew Furman
Chief Compliance Officer
AEGIS Markets