

Committee on
Payments and Market
Infrastructures

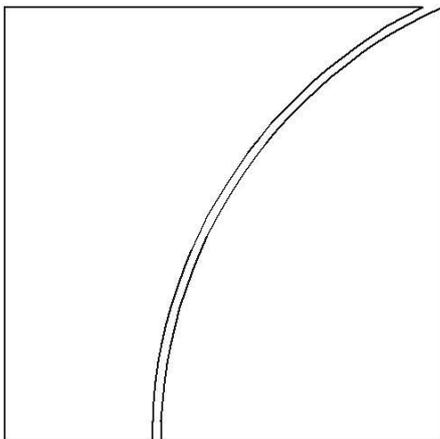
Board of the International
Organization of Securities
Commissions

Consultative report

Harmonisation of critical
OTC derivatives data
elements (other than
UTI and UPI) – second
batch

October 2016

Response form-Hardcopy view



BANK FOR INTERNATIONAL SETTLEMENTS



OICU-IOSCO

Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – second batch – consultative report

Respondent name:

International Swaps and Derivatives Association, Inc. (ISDA)

Contact person:

Tara Kruse; Eleanor Hsu

Contact details:

TKruse@isda.org; EHsu@isda.org

Please flag if you do not wish your comments to be published. Otherwise, this form filled out with your comments will be published on the websites of the BIS and IOSCO.

General comments on the report:

ISDA has three general comments with respect to the content of the second consultative report issued by CPMI-IOSCO's Harmonisation Group ("HG"), regarding new data fields, messaging standards, and the Null value.

New data fields:

First, ISDA and its members are extremely disappointed that this consultation includes so many new data fields that are not currently required to be reported in any jurisdiction. This runs counter to our understanding of the original scope and intention for the work of the HG. We had believed the primary goal to be the harmonisation of existing transactional data fields so that global authorities would be capable of global data aggregation, with priority placed on data elements that were prevalent in the trade reporting regulations of many regulators.

The inclusion of many new fields, such as counterparty type 1, counterparty type 2, final settlement date, booking location of counterparty 1, location of counterparty 1's trading desk, and option lockout period, creates new reporting requirements and dilutes the effort to focus on, give priority to, and expeditiously harmonise standards for existing data fields that would improve the quality of the data already collected. Instead, it seems the scope of reporting is being expanded to include data fields that do not correspond to transaction terms agreed and confirmed between the counterparties in order to include data elements intended for oversight of other regulatory mandates.

ISDA strongly supports the work of the HG, as the anticipated benefits of globally harmonised data elements for trade reporting will have tremendous benefits toward both the efficiency of global reporting and quality of the reported data. We think those goals can be achieved sooner if the priority of the HG is to issue recommendations for existing data fields, rather than expanding the scope of reported data before the initial goal to improve existing data quality is achieved. We hope that the HG's third CDE consultation will focus solely on data fields which are already required in multiple jurisdictions.

Messaging standards:

Second, ISDA is concerned about the specification of ISO 20022 as the standard for the HG's recommendations for global trade reporting of derivatives data. Although we recognize that in the European Union there are pending requirements related to ISO 20022, to our knowledge, that is not

the case in any other jurisdictions. Our primary concern is that ISO 20022 was not designed for derivatives and does not accurately match the terms used by market participants to agree and confirm their derivatives transactions. These terms are defined in the ISDA definitions and mirrored in FpML. The vast majority of derivatives transactions are confirmed and reported using FpML, so it is actually the prevalent “existing industry standard.”

We do not suggest that firms should be mandated to report using FpML nor that FpML be explicitly specified as the relevant messaging standard for the HG’s recommendation. But rather we believe that the HG’s recommendations should be agnostic of any prescribed messaging standard, and instead define the data elements and allowable values and format based on the predominant existing industry standard for derivatives. Use of other messaging standards should be allowed by regulators, but since their use is much more limited, the need to translate data elements into the prescribed format will be minimized, as will the corresponding degradation to data quality.

As FpML is an open standard, the HG’s recommendations would be more appropriately based on FpML industry standard values as opposed to ISO 20022. If the HG were to require ISO 20022 values, then in all cases mapping would need to be done between the available terms in ISO 20022 and the terminology and the actual terms which were agreed and confirmed for the derivatives contract. In cases where the values do not map 1-1, such as in the case of day count fraction, and in any cases where the terms may be defined differently, this translation degrades the accuracy of the data provided to the regulators.

Although we do not support use of ISO 20022, if it were required, the mapping should be done by the TRs and not individually by each and every reporting counterparty or report-submitting entity. One would normally anticipate variations to occur if translation were performed by the individual TRs, however; the risk of variations would be compounded if done individually by each firm. Ultimately, we believe usage of ISO 20022 for transactional data reporting would move data quality in the opposite direction from the HG’s primary goals.

Either way, the risks of requiring an entirely new data standard for derivatives reporting, that is not based on the defined terms that underlie the derivatives transactions, has the strong potential to undermine the goals of the HG. Furthermore, it directly contradicts the suggestion in the executive summary of the consultative reporting that the proposed definition for each critical data elements “appropriately reflects current industry standards that may already be in use globally.”

NULL:

Third, we do not agree with the proposal that a “Null” value be reported in any and all cases in which a data element does not apply to transaction. The assignment of a specific format to a data element in existing messaging standards and TR builds (and as proposed by the HG), is intended to improve data quality by ensuring consistent data field structure that can be validated by a TR. The proposal of a Null value in all cases inherently contradicts this and underestimates the difficulty of allowing exceptions to a data format.

In order to align with the proposals in the consultative report, existing industry messaging standards and TRs would need to build for each data element to support *not only* the specified standard, format and allowable values (e.g. Num (18,0) or Char(20)), but *also* be able to support a text value of “null” while disallowing any other text value. That is not the way that the existing messaging standards and TR builds are currently designed and overhauling them to allow a “null” value for all data fields would be a very fundamental and expansive scope of changes.

Further it is unclear whether the value that the HG is proposing would actually appear in the reported data as “Null”, or similarly, “Not Applicable” or “n/a”. The reporting of any of these values

in the context proposed in the consultation may imply that for each and every data element the reporting counterparty has analysed and determined that such data element does not apply to its transaction, regardless of whether the data element is actually required by the relevant regulations and appropriate to the product type. This implies a level of due diligence that may not be capable of automation in each firms' systems for each and every data element.

In addition, the inclusion of a Null value in every data field expands the scope of reported data fields, increases the size of each reported message and the scope of reported data to be held, yet adds no meaningful value. Instead, it increases the amount of irrelevant data that has to be processed through in order to get to the data elements that are actually useful to an understanding of the transaction and practicable for data aggregation.

2.1 Reporting timestamp

Comments on the data element "reporting timestamp":

Reporting timestamp is currently created by trade repositories (TR) upon receipt of transaction data from a reporting entity. As this approach reflects the point at which data is successfully accepted by a TR to meet a regulatory reporting obligation, ISDA believes it provides a more accurate regulatory view of reporting timeliness, and thus should be the globally consistent approach.

As such, the definition of reporting timestamp should be amended to "The date and time the report of a transaction or life cycle event was received by the trade repository."

If a TR has either planned or unintended downtime, then the reporting timestamp should reflect the time the TR received the report and queued it for processing, rather than time the TR was actually able to process the report.

It is also important to note that each message sent to a TR will have a timestamp assigned to it by the TR, so a modification to a prior report may have a later timestamp even though the counterparty originally reported the message timely.

2.2 Execution timestamp

Comments on the data element "execution timestamp":

ISDA agrees that an execution timestamp should be associated only with the original execution of a transaction, and therefore it should persist for the life of the trade. To promote consistency, execution time should be explicitly defined within the definition of execution timestamp. We propose the following:

"Execution time" means the point in time at which a transaction is consummated and a contract is formed under applicable law. Upon such time, the two counterparties to the transaction are legally bound to complete their obligations under the contract vis-à-vis each other."

For centrally cleared transactions, the execution time is the date and time at which the original derivatives transaction (alpha) was accepted for clearing, as this is the point at which the corresponding cleared transactions are created. Or in the event the cleared transaction was not preceded by an alpha, the point that the clearing transaction was created (e.g. in the case of a

“forced” trade that results from the end of day pricing process conducted by the clearing agency.) If the execution timestamp for a cleared transaction is equal to the time of clearing acceptance, there is no need to separately report a timestamp for clearing acceptance, as currently required in some jurisdictions.

We agree with the proposed format for use of the ISO 8601 standard, and support the idea that the time may not be necessary in all cases. As execution timestamp is a value that is not agreed between counterparties to bilaterally executed transactions, but instead is captured independently by each party upon trade execution, the date should match between the parties, but the time will not. If a dual-reporting jurisdiction requires the time to be reported as part of the execution timestamp, the time should be disregarded by TRs for the purpose of any pairing and matching of the reported data.

We notice that this consultation does not include a data element for a “life cycle event timestamp”. If one of the regulatory uses of the execution timestamp is to measure the timeliness of reporting, then a separate data field to capture the date/time at which the counterparties agreed to enter into a lifecycle event is a necessary additional field. In public transaction reporting, the execution timestamp helps market observers assess the relative price of transactions. Without a separate timestamp that coincides with the execution of a life cycle event, inclusion of the execution timestamp in the public reporting of life cycle events is misleading and key contextual information to interpret the price associated with the life cycle event is absent.

For instance, if a trade is novated, there are two additional timestamps which may be relevant, depending on the jurisdiction. First, there is the point at which the transferor and transferee agree to a price for the novation of an existing transaction. Such timestamp is relevant to public reporting of the life cycle event. Second, there is the time at which consent is received from all parties to the novation, such timestamp being the one which is relevant to life cycle reporting of the novation transaction. The time of novation consent is the execution timestamp for the transaction resulting from the novation.

In general, any cases in which a life cycle event results in the creation of a new transaction with its own Unique Trade Identifier (UTI), then a new execution timestamp should be associated with the new UTI. Such execution timestamp should be based on the point in time in which the life cycle event was agreed, and therefore prompted the creation of the new transaction. Life cycle events on an existing transaction which do not result in a new transaction or a change to the counterparties to a transaction, such as a partial termination, should have a life cycle event timestamp and not an execution timestamp. Ambiguity in existing reporting regulations and inconsistent guidance between regulations and from regulators regarding these matters have resulted in inconsistencies in the designation of these timestamps and their use. Therefore we strongly encourage the HG to provide explicit guidance regarding the execution timestamp and any related data element to capture the time of the life cycle event.

2.3 Final settlement date

Q1: With reference to the definition proposed for the data element “final settlement date” (Section 2.3), is it sufficiently clear that the settlement date for options and swaptions is the date on which the option or swaption would settle if it was exercised on the expiry date? If not, should additional language be added to the definition to clarify that?

The definition proposed for “final settlement date” is not clear that the settlement date for options and swaptions is the date on which the option or swaption would settle if it was exercised on the expiry date. This suggestion assumes that all options are “European style”, thus only allowing for exercise on the expiration date. Instead options or swaptions with other exercise styles may exercise prior to the expiry date and such date may be unknown until the buyer actually triggers the exercise, thus preventing the reporting of such expiration date as the final settlement date.

This example demonstrates the fundamental challenges of this proposed data field. See our response below for further information.

Other comments on the data element “final settlement date”:

The intended purpose and use by regulators of the proposed “final settlement date” is not clear. There is currently no concept of reporting a final settlement date in the industry and the value is not a term of the transaction which is specified in the confirmation. This data field would require new, challenging builds on the part of the industry. Since the concept of a final settlement date, as described in the consultation, is not existing practice for derivatives transactions, obtaining clear and consistent determination of which date should be specified would be challenging. Therefore, ISDA does not support the proposal to add a field for final settlement date which is intended to monitor settlement fails.

In the derivatives market, the parties agree and confirm a date associated with contractual settlement, and this is reported as the termination, maturity or expiration date. A separate settlement date, as suggested by this data element, does not apply to all types of derivatives transactions. In some cases there may not be any settlement, and in other cases there could be multiple settlements, but payments are netted, so tracking the settlement of individual transactions for the purpose of this data element would be extremely difficult. In the event of a payment fail, the resolution process would be handled by separate teams and through the use systems which are not linked into trade reporting infrastructures.

Especially challenging would be the cases implied by the definition of this data element in which a final settlement date cannot be determined at the time of the initial trade reporting. Going back to report a final settlement date once it has been determined or has occurred would require a significant overhaul of existing TR builds, which automatically remove the position for a transaction which has reached its designated termination, maturity or expiration date from their database of live positions. This functionality is important to data quality, ensuring that only live positions which are material to an assessment of market exposure are included in reports produced for regulators.

In order to accommodate the reporting of a final settlement date after the transaction has terminated, matured or expired, TRs would have to replace their existing approach to trade maturation with one that leaves the position open and included in its data reports until the reporting entity submits an updated report to provide the final settlement date. This would falsely imply a level of market exposure that does not truly represent that of market participants and negatively impacts data quality if all positions were not closed out timely.

For firms, a position which has reached its termination, maturity or expiration date is no longer considered live in their trade capture systems and these trades are therefore excluded from all reporting flows. Significant changes to trade capture systems and reporting logic may be necessary to determine, track and report a final settlement date in all cases, especially where this concept is not germane to the product or such value is held in a separate settlements system.

We do not believe that adding an additional field to hold the final settlement date would provide any notable value. Instead, it would be an onerous and an additional burden on reporting entities to determine this data point and for TRs to manage it.

2.4 Settlement currency

Q2: With reference to the definition proposed for the data element “settlement currency” (Section 2.4), is it sufficiently clear that the settlement currency of swaptions is the currency of the underlying swap? If not, should additional language be added to the definition to clarify that?

No, the approach to settlement currency for swaptions is not sufficiently clear. In the case of a physically settled swaption, the reporting of a settlement currency may imply that the swaption itself is cash settled. We question the value of reporting the currency for settlement of the underlying swap, if exercised, with the data for the swaption itself. Reporting of a settlement currency should be done when it is appropriate to the settlement of the trade reported. In the case of physically settled swaptions, it may be more appropriate to report a settlement currency when the exercised swap is reported under a new UTI.

Other comments on the data element “settlement currency”:

Since settlement currency is relevant to cash settlement, then ISDA does not believe it is appropriate to add allowable values beyond the currencies that are supported by ISO 4217. Non-ISO currencies are, by definition, not deliverable and thus are not appropriate for this data field. Trades in offshore currencies are settled in their onshore equivalent, thus use of an ISO currency value accurately reflects the currency of the cash settlement. If the execution of a transaction on an offshore currency provides regulatory benefit, then we suggest following the approach established by SWIFT in which an additional field for “Place of settlement” allows for the designation of whether a currency is onshore or offshore.

Overall, we do not believe that settlement currency and amount are appropriate or valuable fields across all products. In addition to not being relevant to physically settled transactions, this data element adds no value for the majority of single currency transactions, as by default and in accordance with product definitions, a transaction settles in its notional currency.

In addition, we caution that inclusion of a selected offshore currency in the allowable values may create more data issues than it resolves. In order to address all circumstances in which a transaction is agreed with reference to an offshore currency, the list of allowable values would need to include all current and any future offshore currencies, rather than just solely CNH. Taking into consideration historic trade reporting (which could involve historic currencies) and the potential that currencies could be replaced in the future, a governance process would need to consider all potential currencies in order to develop and maintain an additional currency list or else recognize alternative additional sources for currencies.

2.5 Confirmed

Comments on the data element “confirmed”:

The definition of the “Confirmed” data element should be clarified to convey that the term “confirmation” means the point at which the counterparties reach a legally binding agreement to all the terms of the contract. It should also clarify that this data element represents the status of the confirmation at the point the trade reporting message was sent. In the event the original message for the transaction specified that it was unconfirmed at the point of reporting, regulations should be clear as to whether and at what point reporting counterparties are required to send an updated message to reflect the change in confirmation status to reflect it has been either electronically or non-electronically confirmed.

ISDA does not support use of the ISO 20022 codes for the data element of “confirmed” as these are not a current global standard for derivatives reporting. In addition, we do not believe the values are innately discernible without referring back to the ISO standard.

The real potential for such misunderstanding of the values is demonstrated by the allowable values specified in the consultation itself, for which the HG has incorrectly translated the ISO 20022 values for their own use by transposing the meaning of two of the values, as follows:

ISO Code	ISO Name	ISO Definition/Summary	CPMI-IOSCO Definition
YCNF	NonElectronicallyConfirmed	Contract was non-electronically confirmed	Unconfirmed non-electronic
ECNF	ElectronicallyConfirmed	Contract was electronically confirmed	electronically confirmed
NCNF	NonConfirmed	Contract remains unconfirmed	non-electronic unconfirmed

Such confusion would be avoided by simply using the human-readable values of NonElectronic, Electronic and NotConfirmed. The reported value should refer to the current status of the legally binding confirmation between the counterparties to the derivatives transaction with the first two values applying solely in the case the confirmation is confirmed at the point the report is submitted.

2.6 Day count convention

Comments on the data element “day count convention”:

ISDA does not support use of the ISO 20022 values for day count convention. The specified codes are not industry standard for derivatives and would in all cases require a translation from a readable value to a value that must be decoded.

The majority of the allowable values do not map directly or precisely to day count conventions used to confirm derivatives contracts under the FpML Day Count Fraction Scheme and the underlying meaning and source of these values is unclear. For instance, A001 is meant to mean IC30360ISDAor30360AmericanBasicRule, but we at ISDA do not know what IC30360ISDA means. Nor have we heard of the value that it is paired with that is implied to be synonymous.

In order to use the ISO 20022 values, clarification would be necessary regarding the mapping of the values against the ISDA defined values that underlay the derivatives contracts. As expressed in the opening comments of our consultation response, we have concerns about the translation that would be necessitated by requiring the use of the ISO 20022 values. This would introduce the risk that the data provided to regulators does not actually match the legal terms of the derivatives contract, either because there is not an equivalent 1:1 mapping or because the translation has been done incorrectly due to the inherent ambiguity. It would be much more accurate for the HG to adopt use of the values contained in the FpML Day Count Fraction Scheme. This can be done without requiring the use of FpML.

2.7–2.8 Payment frequency period; payment frequency period multiplier

Q3: With reference to alternatives proposed for the data element “payment frequency period” (Section 2.7):

- (a) Are the advantages and disadvantages of the proposed harmonisation alternatives included in the report appropriately defined? If not, which aspects should be revised and how?

With respect to Alternative 1, an extensive list that is based on an existing standard which is not an industry standard for derivatives does not provide necessary or valuable flexibility, rather it could decrease the quality and consistency of the data reported for payment frequency from the confined

list of values that are currently the industry standard. See response to Q3(b) for further discussion. We agree that Alternative 2 has less potential for variants in reported values for the same frequency.

- (b) Which of the proposed harmonisation alternatives should be supported and why? Is alternative 2 sufficiently broad to capture all the allowable values that are relevant for an OTC derivatives transaction? If not, which allowable values are missing? Should the list of allowable values under alternative 2 also include the value "intraday"? Please provide examples in which the additional allowable values that you propose would be relevant for an OTC derivatives transaction. Is it preferable to expand the list in alternative 2 with the missing allowable values or to opt directly for the most extensive list of allowable values available in alternative 1?

Neither Alternative 1 nor Alternative 2 matches the list of values and the representation of the values that are currently used by the majority of market participants to confirm and report millions of derivatives transactions across asset classes. That list of values, as supported by FpML, is straightforward, and consists of D (Day), W (Week), M (Month), Y (Year), T (Term). Introducing a longer list of additional variables available under ISO 20022 introduces more potential for variations and introduces values that do not exist under derivatives contracts, such as "ADHO" for "ad hoc". In addition, we question what benefit regulators could actually derive from requiring values beyond Day/Week/Month/Year/Term.

If deviation from the current market standard is necessary, then ISDA prefers use of Alternative 2 over Alternative 1, since it provides a shorter list of options that do not have as much overlap. Alternative 1 has the potential to reduce data quality, including the example the HG noted for semi-annual payment frequency, which could be reported using one of several variations in Alternative 1.

However, we note that the explanation next to the "NULL" values refers to its use in the event payments are irregular. Since we would consider an "ad hoc" payment to be irregular, it is unclear when NULL would be used instead of "ADHO" for this case. However, as summarized in our introductory comments, we question the necessity and capability to report a NULL value in any and all cases in which a data field does not apply.

Other comments on the data elements "payment frequency period" and "payment frequency period multiplier" (Sections 2.7–2.8):

With respect to the definition of "payment frequency period multiplier," the use of the term "leg type" is unclear. Rather we understand that where applicable, this data element may be reportable in respect of each "leg" of the transaction.

We do not agree with the dependent logic proposed between the two data fields. First, as stated in our response to Q3(b), it is unclear when "ADHO" would apply and therefore why the multiplier would be "1". The proposal that the multiplier is Null if the payment frequency period is "TERM" contradicts the existing industry standard. Under FpML, if the period value is T (Term) then the multiplier must contain the value "1", since there is one payment.

2.9–2.12 Counterparty 1 (reporting counterparty); counterparty 1 type; counterparty 2; counterparty 2 type

Q4: In the consultative report on the first batch of data elements (other than the UTI and UPI), the Harmonisation Group proposed the harmonisation of the “identifier of the primary obligor”. Based on the feedback received during the public consultation, the Harmonisation Group is considering referring to the same concept with the term “beneficiary”. With reference to data elements “counterparty 1 (reporting counterparty)”, “counterparty 1 type”, “counterparty 2” and “counterparty 2 type” (Sections 2.9–2.12):

- (a) Is it clear that in some jurisdictions the counterparty and beneficiary are always the same entity while in other jurisdictions they may or may not coincide?

For example, in the US the counterparty would always coincide with the beneficiary; in the EU this is not always the case as eg in a transaction concluded at the level of the umbrella fund, that fund would be identified as the counterparty, and the sub fund as the beneficiary.

Is it necessary to further clarify the term “counterparty” or is it clear enough?

ISDA believes the term “counterparty” is self-explanatory.

- (b) Are there cases in which a transaction involves multiple counterparties that are jointly liable for the whole amount of the transaction? If so, how do you believe that multiple counterparties should be represented?

Yes, as described in ISDA’s response to the HG’s first consultation on data elements, there are limited cases where multiple counterparties are jointly liable for the entire transaction. These counterparties are referred to as “joint and several counterparties”.

Joint and several counterparties are not eligible to obtain a collective LEI for use in reporting of transactions where they act jointly. Instead, we propose a flag indicating when multiple parties are jointly liable, and the ability for the LEI of each such counterparty to be specified in the relevant report. FpML version 5.7 supports the reporting of joint and several counterparties by use of a group type for “JointAndSeveralLiability” in conjunction with the listing of multiple counterparty identifiers.

TRs may not support the ability to accept, retain and include in their reporting the identity of multiple counterparties on one side of the transaction. Work would be necessary to accommodate this if all legal entities responsible for a derivatives transaction are to be identified.

- (c) In addition to reporting counterparty 2 type, what approach should be taken for natural persons not acting in a business capacity as counterparty 2?

ISDA believes that natural persons should be identified as counterparty 2 by use of an internal identifier assigned by counterparty party 1. The consistent use of such value for a natural person would allow regulators to identify any patterns of activity; though we do not believe that derivatives with natural persons contribute to systemic risk.

We strongly recommend that any counterparty 2 which cannot be identified in reported data by use of an LEI - not just natural persons - be identified in reporting by use of its legal name or an internal

identifier assigned by counterparty 1. This should apply whether an LEI is not available either because counterparty 2 has not obtained one (and may not be required by their local regulator to do so) or because such party is not eligible (including for a reason that is yet unknown). Such internal identifier assigned by counterparty 1 could be an alternative party identifier that has been issued under another standard, such as a BIC or an AVOX ID.

We do not support use of a null value in the event that counterparty 2 does not have an LEI. Doing so does not provide any ability for regulators to understand how many parties do not have LEIs or what the concentration is in trading of any such counterparties. Although use of an internal identifier would necessitate outreach to counterparty 1 in the event a regulator needed to understand the identity of the relevant counterparty 2, an internal identifier is more beneficial to data quality than a null value and would allow a regulator a greater ability to analyse the activity of that counterparty 2 against counterparty 1. It would also provide a more accurate view of the number of counterparties that counterparty 1 faces which do not have an LEI.

The counterparty 2 data element should also take into consideration the limited cases in which the identity of the party cannot be reported due to privacy law barriers in certain jurisdictions. Relief is available in some jurisdictions and may continue to be available until such barriers are eliminated, in accordance with the recommendations from the Financial Stability Board to the G20 in response to the FSB's Peer Review Report published November 4, 2015.

Other comments on the data elements "counterparty 1 (reporting counterparty)", "counterparty 1 type", "counterparty 2" and "counterparty 2 type" (Sections 2.9–2.12):

ISDA supports identification of counterparties by use of an LEI.

Proposed definitions:

ISDA generally supports the concept of designating counterparty 1 as the reporting counterparty and counterparty 2 as the non-reporting counterparty. However, since the terms "first" and "second" in reference to the counterparties to a derivatives contract has no contractual meaning and is relative to the position of a reporting counterparty, we suggest that the first line of the definition of each data element be removed. Counterparty 2 should instead mirror the rest of the definition of counterparty 1 and refer to the "Identifier of the counterparty to an OTC derivatives contract which is not fulfilling its reporting obligation."

As to the second line in the proposed definition for counterparty 2, it is not correct that the fund, rather than the fund manager would be reported in this data field in all cases. In some jurisdictions reporting of the "bunched order" or "block" trade is or will be required either to the TR and/or to the public at the block level and prior to allocation. In such cases a single report is sent with the fund manager as the counterparty; the individual funds to which the transaction will be allocated may be unknown at the time reporting is required and could not (nor should they) be all reflected on the single transaction report which coincides with the full notional and corresponding execution price of the transaction. The definition of counterparty 2 should be amended to recognize that the fund manager is reported as counterparty 2 in this circumstance.

In dual-reporting jurisdictions and/or for the purpose of global aggregation of data, there are two issues which must be addressed before this approach is recommended by the HG. First, this approach mandates that all TRs be capable of cross-matching the counterparty 1 and counterparty 2 data fields for trade pairing and matching since both reporting counterparties will have specified themselves as counterparty 1. Second, guidance is needed with respect to delegated reporting by one counterparty on behalf of the other. In this case, each is a counterparty 1 (reporting counterparty) under HG's proposal, but TR messaging specifications may only allow for one

counterparty to be specified as the reporting counterparty (counterparty 1) and would require that the other party be reported as counterparty 2. Firms currently send a single message on behalf of both parties, and the efficient approach should not have to be abandoned.

Counterparty type 1:

We do not believe that inclusion of a counterparty type 1 data element adds any value. Reporting counterparties are themselves required to have an LEI, and we do not foresee any exceptions to this since parties which are not eligible to receive an LEI would not be subject to obligations as a reporting counterparty. Therefore the reported value for counterparty 1 type would always be "Yes". Requiring data fields that add no value unnecessarily expands the scope of reported data that firms have to send and that regulators have to comb through to focus on the data which is actually valuable to their analysis.

Counterparty type 2:

The value reported in the counterparty 2 field will clearly convey whether or not such party has an LEI. So, in the absence of an LEI, we infer the counterparty type 2 data element would be used by regulators to assess the cases in which counterparty 2 is not eligible to obtain an LEI versus when counterparty 2 is eligible to obtain an LEI but has not done so. As this is counterparty level information and not transactional data, we question the merit of including it in trade by trade reporting. As firms do not currently assess the legal entity type of their counterparties against the types designated by the LEI ROC, firms would need to build new functionality to do so in addition to supporting these new counterparty type data fields. Since their internal legal entity types will not align precisely with those of the LEI ROC, an analysis of each party without an LEI would need to be conducted and outreach to some parties may be necessary to ensure they do not believe they are ineligible for an LEI. If instead of such analysis, regulators expect that a counterparty 1 should default the field value to "yes" in all cases in which the counterparty 2 is not a natural person, then perhaps a field to designate the party as a "natural person" would be more appropriate.

Counterparty 2:

We strongly support use of LEIs and encourage all global regulators to mandate them for all eligible parties engaging in derivatives trading. But the counterparty 2 type field puts the obligation for policing their counterparty's obligation to obtain an LEI on counterparty 1. Whereas, the LEI ROC has previously stated that each legal entity is responsible for obtaining, and maintaining, its own LEI. The number of entities with LEIs has grown exponentially over the past couple of years. Gaps in LEI availability are diminishing and will continue to do so as more regulators mandate use of the standard. Therefore, we do not believe the effort to implement this field across global regulations is justified.

Finally, though ISDA strongly supports use of an LEI to identify parties in derivatives transaction reporting, we do not support regulatory requirements that an LEI can only be used in a report if the LEI has been actively maintained in the global LEI system. An LEI that is in an inactive status still uniquely identifies that party. Although we fully appreciate the importance of periodic verification of the metadata associated with an LEI toward the integrity of the data in the LEI system, trade reporting is not an appropriate tool for enforcement of LEI maintenance. Exclusion of an LEI based on its status undermines the quality of the data available to regulators who would be unable to assess the market risk associated with parties that have not maintained their LEIs. Reporting counterparties, in order to comply with their requirements, are turned into policers of LEI renewal, which should be the role of the Local Operating Units and regulators and not reporting counterparties.

2.13 Report-submitting entity

Comments on the data element “report-submitting entity:

ISDA supports use of the LEI to identify the report-submitting entity, if applicable.

Since the term “reporting counterparty” is attributed to a party which itself has the obligation to report, we believe the first sentence of the definition of report-submitting entity should be amended to “The identifier of the party who is submitting the report either for itself as a reporting counterparty or on behalf of a reporting counterparty” since, as the second provision of the proposed definition clarifies, the reporting counterparty is not always the report-submitting entity.

Since in a dual-reporting regime, each party may engage its own report-submitting entity, there need to be two occurrences of this data field (one for each side of the trade) and the data field should not be subject to matching.

Reporting of this data field is redundant in the case that the reporting counterparty and the report submitting-entity are the same party. We suggest this field should be conditionally reportable only in the case that the reporting counterparty has engaged another party to report on its behalf, in order to limit the scope of reported data which adds no additional information.

2.14 Broker of counterparty 1

Comments on the data element “broker of counterparty 1”:

ISDA supports use of the LEI to identify a broker in all cases.

We believe the definition of broker should make clear that this data element refers to an arranging broker (i.e. an inter-dealer broker) and does not include an executing dealer or prime broker. This field is another example where use of a null value is not meaningful and unnecessarily expands the scope of reported data – see introductory comments.

2.15 Central counterparty

Comments on the data element “central counterparty”:

ISDA supports use of the LEI to identify the central counterparty (CCP) which is itself a counterparty to a derivatives transaction or a central counterparty to which the parties to a derivatives transaction intend to submit the transaction for clearing. However, we note that only in respect of this data element, the format for the LEI is specified as Varchar(20) while in other data elements that refer to the LEI, the format is specified as Char(20).

The proposed allowable values for the central counterparty data element specify that a CCP should only be identified in reported date for a transaction that has been accepted to clearing. In the case of a cleared transaction, a separate specification of the CCP is redundant and unnecessary as the CCP will be a counterparty to the transaction. In most jurisdictions the CCP will also be the primary or sole reporting counterparty to the cleared swap.

The allowable values propose to prohibit the identification of a CCP in the case that a transaction is an alpha (original derivatives transaction) intended for clearing submission. This contradicts the reporting regulations in a number of jurisdictions where the identification of the CCP to which the alpha is intended to be submitted is required. We believe that the identification of the CCP is more useful in reported data in the case of an alpha as it provides regulators with context for the relevant pricing and provides a means to monitor whether the CCP has fulfilled any reporting obligations it holds for the alpha. For instance, under CFTC and SEC reporting regulations, the CCP is responsible for termination of the alpha.

2.16 Clearing member

Comments on the data element “clearing member”:

ISDA supports use of the LEI to identify the clearing member (CM) to a derivatives contract. The proposed definition of clearing member mirrors the definition of a central counterparty, in that both refer to a party “that cleared” the contract. Since a CM does not actually perform the clearing function, we suggest the following alternative definition: “Identifier of the clearing member through which a derivatives contract was cleared at a central counterparty.”

For a set of transactions resulting from clearing through the principal model, the reporting of a CM is redundant as the CM will be a counterparty to each reported transaction.

2.17 Platform identifier

Comments on the data element “platform identifier”:

The definition of platform should clarify that this data element applies to multilateral trading platforms and does not include any single dealer platforms uses for bilateral execution.

In most jurisdictions platforms are currently identified by use of an LEI, while the MIC is required under EMIR. We understand that a MIC can provide a more granular identification of an execution platform since one legal entity can have multiple trading platforms. We assume this is the rationale for the proposal, but suggest that the HG clarify the perceived benefit of deviating from use of the LEI standard which is otherwise consistently proposed for party identification.

But our greater concern with respect to the allowable values is the proposal that in the case a platform is not involved, that the reported value indicate whether or not the “instrument” is listed on any venue. This suggestion is simply not practicable from a global perspective. Within a jurisdiction, it may be necessary for the counterparties to be able to determine whether a derivatives product is offered on a venue in order to comply with trade execution mandates. But that capacity is limited to trading venues within the jurisdiction and there is no mechanism to determine whether a product is offered on any platform globally, especially when the counterparty is not a participant to the platforms.

2.18 Inter-affiliate

Q5: Should the definition of the data element “inter-affiliate” (Section 2.18) take into account the possibility that there is no local definition of affiliated entities under the local regulation of counterparty 1 (reporting counterparty), or is this redundant?

Any regulator which requires an inter-affiliate flag will have its own definition of what qualifies as a transaction between affiliated entities. Such designation in a particular jurisdiction generally coincides with differences in the reporting requirements or other regulatory obligations of the parties to the relevant transaction (e.g. clearing, or trade execution). So without a local definition, it seems inappropriate or irrelevant for a regulator to include an inter-affiliate data element in its trade reporting requirements.

Although we respect the efforts of the HG to harmonise this data field, doing so will not render the data element useful for global data aggregation and analysis unless regulators harmonise their definition of inter-affiliate designation. Until such time, TRs will need to maintain jurisdiction-specific data fields for this element, since the value reported may not be the same in every case.

Other comments on the data element “inter-affiliate”:

See our response to Q5.

2.19 Booking location of counterparty 1

Q6: With reference to the data element “booking location of counterparty 1” (Section 2.19), is it clear that the location where the transaction is booked for counterparty 1 refers to the location where profit and losses are allocated (be it the location of the headquarters, domestic branch or international branch)?

No, this definition is not clear. The term “booked” in the definition of this data element could be interpreted in different ways, resulting in inconsistent treatment of this data field. The example in the definition implies that this data element should actually be for a “Branch ID”, which would

identify if a multi-branch entity is acting out of one of its foreign branches for purposes of the transaction. If that is the intention, then the international branch LEI that will soon be supported by the Global LEI system should be used.

Clarity is required as to whether this location is meant to represent the domicile of counterparty 1 or its foreign branch, if applicable, or whether this is meant to coincide with the location of the book in the general ledger to which counterparty 1 assigns the transaction. If it is meant to represent the location for accounting purposes, then we believe that reference to the location for profit and loss creates ambiguity. It would be clearer to refer to the location of the accounting book in counterparty 1's general ledger, recognizing that a local book would correspond with the local branch and with respect to a global book, the accounting location will be a primary or headquarter location. If use of this data element is unclear, it is unlikely to be consistently applied by different firms, and perhaps even within a single firm across desks.

Although some regulators currently require reporting of "cross-border" transactions based on the involvement of a foreign branch of the counterparty, these requirements are inconsistent. In the event this data element refers to the location of the accounting book, reference to that location is not an attribute which determines cross-border reporting obligations under existing global regulations. In addition, the location of the trader or salesperson executing the trade may be different than the location where the transaction is booked. Therefore, we are concerned about the prospect of a global data field which may have different implications in each jurisdiction and could imply a cross-border reporting obligation when one does not exist.

Other comments on the data element "booking location of counterparty 1":

See preceding question for ISDA's feedback on this data element.

2.20 Location of counterparty 1's trading desk

Q7: With reference to data element "location of counterparty 1's trading desk" (Section 2.20), is it sufficiently clear who is being referred to as the trader "responsible for executing the transaction"?

No, it is not clear who is being referred to as "responsible for executing the transaction". In order to refer to a person responsible for executing a transaction, then it is essential that a clear and consistent definition for "execution" be defined, available and applied.

In accordance with the definition for "execution time" which we have provided in response to the data element of execution timestamp, the act of execution occurs when a transaction is consummated and a contract is formed under applicable law. Upon such time, the two counterparties to the transaction are legally bound to complete their obligations under the contract vis-à-vis each other.

Based on the definition of execution, it may not always be the trader who is actually responsible for the act of execution. Rather, in the case of client-facing transactions, execution may be conducted by the salesperson, with the trader providing a price and having such transaction ultimately assigned to his or her trading book. In the case of automated trading, a trader may not be actively involved in the agreement of the transaction, but will subsequently be responsible for the transactions assigned to his or her book.

Therefore, clarification is necessary as to whether the desired location for reporting is based on (i) the primary employment location of the trader who is responsible for a transaction upon its execution (regardless of whether he or she was the person that actually bound his or her firm to the transaction), or (ii) whether this data element is intended to capture the primary trading location of the individual, whether or not such person is a trader, which said "done" and bound the parties to the terms of the transaction.

If it is the location of the trader that applies regardless of his or her role in the execution of the transaction, then we suggest the definition be amended to the following: "The primary location of the trader employed or engaged by counterparty 1 who is responsible for the transaction at the point of execution."

We support ISO 3166 for this data element format.

Other comments on the data element "location of counterparty 1's trading desk:

We question use of the term "trading desk" in the name of the data element when the definition refers to the location of the actual trader. The definition implies a 1:1 correlation between the physical location of a trading desk and the physical location of the trader. We understand that this is not always the case. Perhaps use of the term trading desk in the name of the data element is meant to convey that the permanent location of the trading desk to which a trader is assigned is the relevant location rather than the location at which a trader may have executed a particular transaction (e.g. when working temporarily in another office). The definition should be explicit on this point and refer to the primary location of the trader (which may be associated with his or her trading desk).

ISDA has strong concerns about use of this data element by regulators to infer whether cross-border reporting obligations apply due to the involvement of personnel located in the jurisdiction of a particular regulator. Such "nexus" obligations are currently complex because global regulators have inconsistent definitions for the parameters of the activity performed by traders, salespeople and

other personnel which may trigger this obligation. Due to those inconsistencies, the specification of a location in this data element may imply a reporting obligation in a jurisdiction when it is not actually required by the regulations. Regulators, both domestically and internationally, should work to harmonise the parameters for their nexus reporting obligations, otherwise this proposed global data field may not be suitable to replace any existing jurisdictional data fields with a similar intent.

2.21–2.22 Strike price; strike price notation

Q8: With reference to data elements “strike price” and “strike price notation” (Sections 2.21 and 2.22) is the proposed format length for “strike price” (Num(18,13)) sufficiently big for strike prices denominated in any currency? If not, what would be an appropriate format length, both for characters before the decimal point and characters after the decimal point?

With only 5 characters allowed before the decimal point, ISDA does not believe the proposed format is capable of supporting strike prices denominated in any currency. Additional preceding characters should be accommodated to future-proof the standard.

We are also concerned that for this data element, a fixed length of characters after the decimal, padding and a rounding convention are not prescribed. This proposed format does not solve the inconsistencies that currently exist with the reporting of pricing and other numerical data elements within and across borders. Without a precise length and rounding convention, values will continue to be reported differently and be incapable of matching in dual-reporting jurisdictions and in globally aggregated data.

This comment also applies to the data elements of option premium, CDS index attachment point and CDS index detachment point, as well as other data elements that reference a numerical value.

Other comments on the data elements “strike price” and “strike price notation”:

As a general comment for 2.21-2.22, we propose that a ‘Currency’ field be added to express the currency in which the strike price is expressed, when applicable, using the 3 character ISO 4217 currency code. So, for the EQ example provided by CPMI-IOSCO, the ‘strike price’ would be reported as 6.4, ‘strike price notation’ would be NUMBER, and ‘currency’ would be USD. With respect to the allowable values, ISDA has the feedback provided in the table below.

	CPMI-IOSCO	Response
EQ:	The strike price of an option on equity (USD 6.4) should be reported as 6.4 in strike price and as NUMBER in strike price notation.	Agree
CO:	The strike price of an option on commodities (USD 46.39) should be reported as 46.39 in strike price and as NUMBER in strike price notation	Agree
Rates:	The strike price of an option on interest rates (2%) should be reported as 2 in strike price and as PERCENTAGE in strike price notation	Agree
FX:	The strike price of an option on FX (exchange rate 1.1014) should be reported as 1.1014 in strike price and as NUMBER in strike price notation.	Agree that 'strike price' of an option on FX (i.e. exchange rate 1.1014) be reported as a numerical value.
CDS:	The strike price of a CDS swaption (25 basis points) should be reported as 25 in strike price and as BASIS POINTS in strike price notation	We propose the values predominantly used for electronic confirmation of CDS swaptions, which are SPREAD or PRICE. In the example provided by CPMI-IOSCO, the value used would be .25 SPREAD

2.23 Option lockout period

Comments on the data element “option lockout period:

“Option lockout period” is not an industry standard term for derivatives. The term implies the last date on which an option may be exercised, rather than the first, which is contrary to the definition. The term also refers to a period of time, similar to the industry-defined term of “exercise period”, rather than a single date, as the definition implies.

“Exercise date” is the defined term for a date on which the buyer may exercise an option. However, the first date on which an option is eligible to be exercised is not a value that is separately confirmed by the parties to an option. Rather, the first exercise date is determined by the option style. For European style options, the first exercise date would be equal to the Expiration Date. For a Bermuda style option, the first exercise date would be the first “Bermuda Option Exercise Date” which is specified in the confirmation. For an American style option, the first exercise date is equal to the “Commencement Date”.

Assigning new terminology will create the opportunity for misinterpretation of the data element. If this element is included in the HG’s recommendations despite the fact that it introduces a new data element, use of the term “first exercise date” would eliminate the ambiguity. The definition should refer to the “first date during the exercise period in which an option can be exercised.”

We support the ISO 8601 for this data element.

2.24–2.25 Option premium; option premium currency

Q9: With reference to data elements “option premium” and “option premium currency” (Sections 2.24 and 2.25), should an option premium payment date be added, to take into account that the option premium may sometimes be paid at the end of the transaction:

An option premium date is supported by existing messaging standards for certain products (e.g. FX Accrual, Digital and Range Options) and may be an appropriate method to convey when an option premium is payable, especially when this occurs at end of the transaction. We note that if an option premium payment date element is added, then it should only be reportable if an option premium is specified.

Other comments on the data elements “option premium” and “option premium currency:

Not all options have a premium. Sometimes, an option premium is embedded in the swap premium such that it is part of the rate that would be reported for the underlying swap and cannot be separately reported. Therefore option premium and option premium currency should not be required data elements for all options.

In other cases, the option premium can be negative and therefore payable from the seller to the buyer of the option. The definition of option premium should be amended to accommodate this.

With respect to the currency, we mirror our prior comments (see Q2 response) that non-ISO currencies are by definition non-deliverable and therefore are not a valid value for an option premium.

The way the format is currently proposed for option premium will not eliminate existing variants in reported values, for the reasons stated in our response to Q8.

2.26–2.27 CDS index attachment point; CDS index detachment point

Comments on the data elements “CDS index attachment point” and “CDS index detachment point”:

ISDA agrees with the proposed definitions for the data elements CDS index attachment point and CDS index detachment point.

We do not support a requirement to report a null value in all cases that these data fields do not apply, but we do suggest that the definition and allowable value description accurately convey that these data elements only apply to CDS tranche transactions, whether on indices or bespoke baskets. The data element does not apply to untranching index trades or any single name CDS.

With respect to the allowable values, we do not agree with the proposal to represent the numerical value as a decimal between 0 and 1. Currently, the predominant approach for electronic confirmation of index tranches is to represent the attachment/detachment point as a decimal number out of 100, with a maximum of 3 digits to the left of the decimal point, and 0 to 2 decimal places. Therefore, the allowable values should range from 0.00 to 100.00 to align with what is currently being used. For example, if the CDS attachment/detachment points were 3.0% and 7.0%, these would be represented with values of 3.00 and 7.00, and not 0.03 and 0.07 as proposed. The way the format is currently proposed for CDS index attachment and detachment points will not eliminate existing variants in reported values, for reasons stated in our response to Q8.

Other comments: