CDIDE / DDE-IRG Meeting

(Virtual)

Tuesday, July 8th 2025

7:00 – 9:00 AM EST

Meeting Minutes – final

Attendees

DDE-IRG Members:

- Que-Phuong Dufournet
- Emmanuel Geinoz
- Andrew Harvey
- Eleanor Hsu
- Tomoko Imamiya
- Natsuki Kawada
- Minako Kusonoki
- Vivian Lee
- Alexander McDonald
- Masako Nagaura
- Warren Rubin

CDIDE Members:

- Mohammed S. Alateeq
- Deborah Aniyeloye
- Laboni Ashrafi
- Isabella Bergstein
- Amy Butler
- Marcus Chow
- Marco D'Errico

- Richard Kind
- Craig McBurnie
- Kate Mitchel
- Rajal Patel
- Justin Pica
- Grzegorz Skrzypczynski
- Robert Stowsky
- Eric Thong
- Kiyoshi Tsuchiya
- Alicia Viguri
- Meng Wang
- Mike Willis

1. **Welcome:**

   CDIDE co-chair Grzegorz (ECB) opened the meeting and welcomed everyone.

   He began by introducing the agenda and informing everyone that the meeting minutes would be kept and shared with the participants for their review. The finalized meeting minutes will be published on the website, as was the case for previous DDE-IRG Meetings.

   He then began to present the slides, starting with the background. He provided a brief description of the technical guidance for the harmonization of critical OTC derivatives data elements (CDE) and the different versions that followed. He highlighted the revisions and different versions of the guidance. He mentioned that feedback was received from various third parties regarding the document, and they are currently working on the final version 4 of the technical guidance. He emphasized that they need to seek further clarifications to properly account for the feedback received.

2. **Effective Date:**

   Meng (OSC) presented the slides, starting from slide 5. She went through the effective date definitions that were proposed for the different financial instruments and asked for additional feedback on whether there are other products for which effective dates should be clarified.

Emmanuel (Pictet) mentioned that CDE definition specifies that it's the effective date of the contract. For many types of instruments, it's not clear what the effective date is. He raised an issue about credit default swaps on an index, CFDs, and forward start dates. He mentioned that in EMIR reporting, almost everyone trading CDS on an index uses a start date of T+1 calendar (the day after the trade execution date) following ISDA standards, but are wrongly reporting the date of the last roll of the underlying index as the effective date. He confirmed from TradeWeb yesterday that this is the case. Some contracts have no effective date in the contract and start immediately (ex: ETDs, OTC Options, CFD) and it shouldn't be the execution date. What is the value in repeating execution date in effective date? For forward starting swaps, the start date is trade date + 1 year. He mentioned that the date is called the forward start date instead of the effective date in the contract/confirmation for forward starting swaps. Effective date is a generic concept, and not all contracts have it. Standard contract may use a term other than "effective date" to mean when the contract terms come into force.

Robert (CFTC) had a question regarding if the contract terms are effective on T+1 when does the interest on the finance leg of the CDS contract begin to accrue. Emmanuel (Pictet) responded that the interest is accrued from the previous roll date of the index and is included in the upfront payment for the CDS. A question was raised if the CDS effective date is always T+1. Emmanuel (Pictet) answered that in CDS, by default, you can have whatever terms you want, but T+1 is the standard. He doesn't think anyone trades with a nonstandard effective date.

Richard (FCA) opined that general guidance should be provided regarding it, but there are products where an effective date of T+1 or T+2 is not always appropriate. Guiding market participants to report what is being confirmed by the two counterparties seems more appropriate. There are no further comments.

3. **Maturity Date of Underlying Derivative:**

Meng (OSC) defined what the data element is and mentioned that this is a new data element. She mentioned that they have received some mixed feedback regarding it and passed the floor to Robert (CFTC), who explained the specific challenges using UPI for commodities, emphasizing that it does not contain some information such as the specific delivery dates of the contracts.

Emmanuel (Pictet) raised a generic issue with the CDE. He commented that the role of the CDE is to standardize derivatives reporting fields, with the main goal of monitoring systemic risk. He felt that CDE has gone too far and greatly increased the number of fields that must be reported by many regulators – most of which are not even looked at by the regulators as they are not useful to monitor systemic risk.

Craig (ASIC) responded to Emmanuel and disagreed with his statement. He mentioned that evaluating systemic risk is not the only goal of OTC derivatives trade reporting; it has other functions (ex: transparency, protect against market abuse, etc.) and is much broader.

The floor was opened to comments on being able to report the expiry date or delivery date of a futures contract.

Emmanuel (Pictet) raised the issue that it is difficult, more costly, and complex for smaller entities to store and report the data fields requested. They do not have the resources to run models to value all the contracts; hence, they do not store all the values related to a specific contract as they do not need it in their system. They depend on counterparties for valuation.

Robert (CFTC) asked if they compare the valuations of the dealers with what they have done internally? Emmanuel responded that the more complex the product, the more the smaller firms rely on the counterparty. There is a big dependency on the counterparty for the smaller firms. He indicated that this is particularly challenging in jurisdictions with double-sided reporting obligation, where smaller entities are more often obliged to report.

Robert (CFTC) asked if any colleague who has dual-sided reporting in the jurisdiction had any comments.

Grzegorz Skrzypczynski (ECB) recalled that the purpose of the meeting is to discuss global recommendation, and it is not the right venue to discuss jurisdictional requirements.
There are no further comments.

4. **Reporting of Valuation Amount and Variation Margin:**

Grzegorz (ECB) presented from slide 8. He mentioned that some market participants in the EU expressed a view that the guideline for reporting the valuation amount and variation margin data does not currently account for the specificity of Settle to Market/Collateralized to Market accounting models.

Since the economic valuation and the correspondent variation margin cash flow are identical under the two accounting models, in the view of the regulators, these data points are essential to monitor the flow of risk in the economy regardless of the accounting convention. In the consultation, the market contributors were asked to provide examples and describe challenges of reporting the valuation amount and margin data for these models. They have received some views but have not received concrete examples or descriptions of the challenges. He then opened the floor to the group for their views and to discuss challenges and bring forth examples regarding the issue.

Emmanuel (Pictet) said that STM derivatives are settled daily via the PnL, and that they can report the amount that they settle every day as the variation margin. Given the daily settlement, the valuation amount always goes down to zero in the books. This causes a discrepancy between the valuation amount and variation margin. He added that the way they book the amount they settle is different from how they book the variation margin. The variation margin is booked in the margin account in the CTM model; however, for STM, it is just reported in the cash account. He added that STM is a default model applied to futures.

Marco (ESRB Secretariat) responded by explaining what the authorities need to monitor. The authorities need to understand what happens to the margin over the course of several days. The economics of the contract does not differ between CTM and STM models, the difference is in the accounting treatment. The amount of cash that needs to be exchanged does not vary with the two models. It is also reflected in the liquidity coverage ratio of the dealer bank. So, the regulator does not understand what the challenge is to report the actual cash that is being exchanged.

Marco also clarified that the original industry's proposal referred to OTC derivatives. This accounting model is used by CCPs and banks to reduce capital requirements. He concluded that, both from a basic economic and financial reasoning, as well as Emmanuel's description, it should not be a problem to report valuation and margins for STM contracts in a similar way as CTM ones, as market participants still have to keep track of the amounts that they exchange.

He also added that for the valuation amount, the key observation is that the value of the contract does not actually go to zero. The contract is open, initial margins are collected, so STM contracts do carry risk, and this risk is what the regulators are trying to monitor. Moreover, from the discussion, it does not seem like it would be difficult for them to provide the required data. Marco suggested dismissing the proposal by European CCPs to report "0" for both valuation and variation margin fields, and concluded that there are no big challenges to report OTC derivatives recorded under the STM model according to the same principles as the ones under CTM model. It was agreed by all. There are no further comments.

5. **Consistent Collateral Portfolio Codes:**

Grzegorz (ECB) introduced the data element and mentioned that some ROC members would see a benefit in consistent collateral codes used between counterparty pairs, as this would facilitate reconciliation of margin data in jurisdictions with double-sided reporting. However, some feedback received in the response to the consultation paper was that this would impose a heavy burden on the industry. He opened the floor for market participants to comment on the current process of creating collateral portfolio codes, how the counterparties agree on the portfolio composition and variation margins, and what the main challenges would be in agreeing on consistent collateral portfolio codes.

Emmanuel (Pictet) mentioned that in the case of double-sided reporting, they are still unable to effectively exchange UTI in many cases. The way they construct collateral portfolio codes is dependent on each party, as they might maintain books differently even if they are exchanged. They might have multiple collateral portfolios, but with a given counterparty, they just exchange the net collateral, not per contract. He shared a way to construct a portfolio code that is often used – internal code plus a code that identifies the counterparty and a code that identifies the currency. However, there may be many ways to construct collateral portfolio codes. It is a struggle to find a standard way to construct it and say that collateral portfolio codes should always contain specific data if the counterparties have completely different ways to book the collateral. Some book into cash accounts, some book into sub-accounts. It would be complex to get the counterparties to exchange codes.

Grzegorz (ECB) replied that counterparties have to agree on the composition of the portfolio to calculate the margin; the problem is about exchanging and agreeing on a code.
Emmanuel GEINOZ (Pictet) added that it would a challenge to decide on which party will decide the code, and who will store it. It will not be stored in their system as a specific code for collateral exchange.

Richard (FCA) weighed in, agreeing that portfolio codes are internally generated, and some codes are structured while others are unstructured. He thinks that there needs to be a centrally defined structure for creating portfolio codes. He suggested the codes be created by combining both LEIs and a suffix of the asset classes that are in the scope of the portfolio. Emmanuel proposed adding the currency in which collateral is exchanged instead of the suffix for asset classes, as it is difficult to specify asset classes since sometimes the collateral is netted across all asset classes.

Que-Phuong (SG) agreed that it is difficult to exchange portfolio codes as there are many ways to create the portfolio codes using different logic. Even if the codes are standardized, as it is for the custom basket identifier with a specific syntax, it is difficult to exchange the data between counterparties. She added that even within a bank, different logic to create portfolio codes may be used.

Grzegorz (ECB) agreed that it would be very beneficial to standardize the collateral portfolio codes, not only for regulatory reporting, but for streamlining collateral processes of market participants. Marco (ESRB Secretariat) concurred and spoke briefly about issues, risks, and possible mitigations regarding poor collateral management. He suggested that guidance should be formed in phases to improve the collateral management and make the process more streamlined using information technology. He pointed out the ISDA paper on collateral management which concluded that poor management and lack of standardization leads to risk. As an example of this, Marco pointed out the case of Credit Suisse and Archegos. He suggested that industry should work on standardizing and regulators can benefit from it.
There are no further comments.

6. **Barrier Level Fields:**

Meng introduced the barrier level field and the proposal of three new data elements – single barrier level, upper barrier level, and lower barrier level. She mentioned that the feedback is that two out of three market participants disagree with these proposals in their current form and suggest using the CDE 'Strike Price' field. One commenter does not think the proposed data elements adequately capture the complexity of barrier options. Meng opened the floor for market participants to comment on how barrier levels can be accurately represented and what is missing from the ROC's proposal to accurately represent barrier options.

Emmanuel (Pictet) suggested adding additional fields for knock-in, knock-out, one touch, no touch, double touch (type of barrier). He suggested either requesting what the barrier type is or not asking about the barrier and just sticking to the strike price.

Craig (ASIC) agreed that the type of barrier is necessary; however, there is already a proposal (not yet added) to add the type of barrier to the UPI for barrier options. The type of barrier, option type, and option style would be all attributes of the UPI code, so they don't need to appear as individual data elements in reporting. Regulators are currently deliberating whether these should be added to the UPI or the CDE but are leaning towards adding it to UPI.

Emmanuel contended that the UPI needs to remain generic; if there is too much proliferation of UPI, it will become more difficult to aggregate data and may become like the OTC ISIN, which he finds not useful for OTC derivatives. He thinks the barrier type is a more specific trait/attribute rather than a generic one. Adding this to UPI will make it too complex. Craig argued that the different types of barrier options should be categorized as distinct products as they have completely different performances. He sees a distinction at the product level, but not at the trade or contract level. Emmanuel contended that it depends on what use a person makes of the UPI. They both agreed that the barrier type information is necessary and should be included either in UPI or in CDE.

[Meng Wang (OSC)] asked for additional comments in writing so ROC can add correct guidance in CDE.

There are no further comments.

7. **Delta:**

Meng (OSC) mentioned that in the consultative document, the industry was asked if reporting delta should be limited to options, swaptions, and other option-like instruments. They received responses from three market participants with different views. A commenter stated that the current definition of Delta does not sufficiently cover all calculations for delta for different products and asset classes. Meng then opened the floor for market participants to discuss how the definition of Delta can be improved and whether examples of how delta should be calculated for different instruments should be provided in the technical guidance document.

Eleanor (ISDA) said that they get many questions regarding delta and examples of how to calculate delta for different asset classes would be very helpful. ISDA supports CDE Guidance to include examples (by asset class) in the definition. Meng suggested collaborating with ISDA to come up with the right examples, and Eleanor agreed. ISDA will provide initial suggestions, regulators can come back with feedback, and it will be an iterative process, similar to the guidance provided for price and notional amounts. Kate (CFTC) asked if this could happen over the summer, and Eleanor said the initial proposal can be provided over the summer.

Meng (OSC) mentioned a commenter suggested not to include "option-like instruments" in the definition and another commenter suggested using "clarifying applicable transactions" instead.

Emmanuel (Pictet) added that there are many ways to calculate delta, so creating an exhaustive list of examples would be difficult. He mentioned that they had a few issues with delta in Europe. The first one is that delta will become a field that should be reconciled with the counterparty for two-sided reporting from next year. However, both counterparties could have different models and assumptions, so it would be difficult to reconcile. The other issue is that the EMIR validation rule requires that delta should be between +1 and -1, but for digital options, delta can be much larger, the closer you get to the strike price. He also mentioned that delta can be represented in two different manners, either as change in derivative value in response to a percentage movement or to a basis point movement in the price of the underlying. The definition should specify and be more precise.

Craig (ASIC) said that delta should represent a change of value in response to a minuscule changes in the price of the underlying; using 1 percentage point is too large for any risk management function. He doesn't think that they should specify the particular unit used to calculate delta. There are no further comments.

Action item for ISDA: Provide initial draft/suggestions by this summer.

8. **Call/Put Amount and Currency:**

   Meng (OSC) started by mentioning that in the recent consultation, they asked for industry feedback on whether they should include the data elements call amount, call currency, put amount, and put currency for asset classes other than FX. Three commenters suggested leaving it as it is currently (i.e., only for FX). One commenter suggested that a broader approach could be applicable for commodities and crypto assets. Meng then opened the floor for specific examples of commodities and crypto assets where these fields would be applicable.

   Emmanuel (Pictet) mentioned that they have commodities that trade exactly the same way as FX. Option contracts involving precious metals XAU (gold), XPT (platinum), and XAG (silver) trade exactly like an FX option. Regulators have been vocal about reporting these as commodities. So, they trade them like FX but report them as commodities. For such cases, it would be helpful to have call/put amounts and currencies reported for commodities. It is the same for crypto assets. However, some commodities trade completely differently from FX. When they report XAU and XAG as commodities, some of the fields for commodities don't apply as they are not actually trading the physical metals.

   There are no further comments.

9. **Price/Quantity/Notional (initial vs. event value):**

   Meng started by mentioning that the intent of the CDE technical guidance is to focus on regulatory reporting rather than transparency reporting. She mentioned that they received comments on price, stating that in certain cases, for equity swaps, the definition of price should be the average value instead of the initial value. She clarified that the definitions in the CDE guidance do not always reflect lifecycle event reporting for each data element unless otherwise specified and that public price transparency reporting guidance falls on the regulators who require it. She asked if the industry is looking for additional guidance on how to report lifecycle events for these fields.

   Eleanor (ISDA) mentioned that they are not looking for guidance for lifecycle events. There is confusion regarding the definition (use of the term "initial price") of price in the

CDE and suggested updating it. Eleanor (ISDA) said that she would take this back to the ISDA group to provide feedback (e.g. in when there is opportunity to next revise the CDE definition) . Emmanuel (Pictet) mentioned that this is mainly an issue for equity and portfolio swaps. An equity swap or equity portfolio swap may go through several lifecycle events per day as the number of shares underlying the swap is adjusted. There is no maturity date. It is the same for CFDs. These instruments are not reported on the position level, because this would require agreeing with the counterparty. So, for equity and portfolio swaps, the same derivative will have a new trade date, price, confirmation date, and effective date for each day it's traded. The initial price when you first open the contract can be very different from the current price after multiple increases/decreases each day. For CFDs, you are allowed to report at the position level. He suggested that the regulators should require position-level reporting for equity swaps and portfolio swaps as well. So, every single trade, increase/decrease of its price is visible to the regulators. The term 'Initial' is problematic.

Que-Phuong (SG) agreed that guidance on portfolio swap reporting would be useful.

Robert (CFTC) asked for clarification about the position-level data – Emmanuel clarified that it is about the position underlying a single contract; i.e., all the multiple trades that are reported for the same UTI. There are no further comments.

Action item for ISDA: ISDA will discuss position level price reporting for equity swaps and portfolio swaps with the WG and get back to CDE.

10. **<u>Lifecycle Events – Partial Terminations:</u>**

Meng (OSC) explained that regulators understand there's a discrepancy in the use of lifecycle events - partial terminations, but due to jurisdictional rulemaking processes, it would take a long time for the jurisdictions to re-write their existing rules to harmonize this. Meng asked if there are any other scenarios to be considered for partial early termination.

Emmanuel (Pictet) said that they haven't found an example to use MODI/ETRM. Personally, he is in favor of harmonizing with CFTC because it's a modification of the term of the contract. It's not necessarily an early termination; it's a modification of the initial trade. They cannot find anything in their book that could qualify for MODI/ETRM.

Meng (OSC) asks that notional amount adjustments (when decreasing), would that be considered as partial early termination or an amendment? When an expiration date of a trade is adjusted, would that be considered an amendment to the expiration date?

Emmanuel (Pictet) responded that he thinks it would be considered MODI/TRAD. They modify the term of the trade; there is no early termination.

Meng (OSC) mentioned that as much as they would like to harmonize across all the regulators, it will take some time. If the industry has any feedback on partial early terminations and the scenarios where it is used, it would be greatly appreciated. Additional comments after the call are welcome.

Craig (ASIC) pointed out that 9 out of 10 times there is a payment associated with termination. He went over the example presented in the 3rd question from the presentation, and added that in this scenario for early termination, some entities in his jurisdiction are giving effect to an early termination by bringing forward the expiration date and there would be a payment (Unwind) with pay date of 2/2/2026. They are amending the contract to terminate. If entities are trying to terminate the contract by bringing forward the expiration date, they should say that it's a termination, not a modification.

Emmanuel (Pictet) responded by stating that for the scenario here, they will use MODI/TRAD to modify the expiration date. On the 2nd of Feb, they don't do anything because it will terminate. MODI/ETRM doesn't make sense because it doesn't terminate.

Craig (ASIC) mentioned that if they bring forward the expiration by 2 years, that presumably has value to someone. Therefore, in order to compensate for bringing forward the expiration date, the 5-year swap is now a 2-year swap on a positive yield curve. Someone has to make a payment to the other party; they will have to make a UWIN payment. When we see ETRM, we expect to see a payment for that. When we see a MODI, we don't expect to see a payment.

Emmanuel (Pictet) responded by mentioning that if they do a decrease of notional, they will report the payment. If they change the maturity/expiration date, they might not record the payment even if there's one because they do not have the automatic system to record that. While if it's an ETRM, the system will say, something has changed, do not forget to report the payment.

11. **Lifecycle Events – Definition of Event Type 'TRAD':**

Meng (OSC) stated that there is no discrepancy in the definition of 'TRAD' between jurisdictions. She clarified that ESMA's definition where specified "does not result in change of a counterparty" refers to lifecycle events like novation, clearing, etc. Corporate action cases in EMIR are reported via a separate procedure outside of lifecycle events. She stated that the ROC does not foresee any challenge even under the assumption LEI change, UTI remains the same.

Emmanuel (Pictet) stated that under EMIR, that scenario is not possible. If you change any of the parties to a trade, you must have a new UTI. You cannot change an LEI without changing the UTI.

Grzegorz (ECB) responded by stating that for EMIR, in the Q&A document, TR question 40 covers the scenario of the LEI change in case of merger or acquisition or other corporate action event. In this case, the TR should change the LEI and keep the UTI same in the data.

Emmanuel (Pictet) agreed, for that scenario, and stated that only the TR can do it. It's not through a report that they can change the LEI. They cannot change the LEI themselves through MODI or other action types.

Grzegorz (ECB) agreed.

Emmanuel (Pictet) mentioned that in ESMA, a TRAD is a new contract. When you enter a report with a counterparty, it's a new trade. Trade should be understood as a contract which is valid for OTC derivatives in most cases. Trade results in a contract always. Then you modify the contract. He stated that he is in favor of a generic definition of trade; trade is a pair of two LEIs and a UTI. That's what he defines as a trade.

Meng (OSC) stated that the definition of TRAD in the CDE technical guidance is the creation or modification of a transaction. Here, they just wanted to clarify that in NA, TR does not handle M&A activities, so participants should use MODI/TRAD for M&A activities without changing the UTI. In ESMA's case, the TRs handle the M&A activities; there are no lifecycle events reported for ESMA for these activities.

Emmanuel (Pictet) stated that it's easier if one can just change the parties due to mergers and acquisitions themselves, but at the end, at ESMA or CFTC, the UTI remains the same. In a scenario where their middle office made a booking error on the counterparty LEI, and UTI is already created and shared with the counterparty, they cannot change the counterparty LEI reported for that UTI. They will need to submit an EROR for the trade and create a new UTI. In CFTC models, in some cases, it would be helpful. In EMIR, TR will not change the counterparty if it is not a corporate action.

Meng (OSC) stated that if it is an error, they should be reporting EROR as an action type.

12. **Closing:**

Grzegorz (ECB) and Robert (CFTC) thanked everyone for joining and their contributions.