

[31 October 2022]

**Via Electronic Submission**

[rocsecretariat@ofr.treasury.gov](mailto:rocsecretariat@ofr.treasury.gov)

Re: Harmonisation of critical OTC derivatives data elements (other than UTI and UPI): Revised CDE Technical Guidance - version 3

Ladies and Gentlemen:

The Depository Trust & Clearing Corporation (“DTCC”) welcomes the opportunity to respond to the recent consultation document prepared by the Legal Entity Identifier Regulatory Oversight Committee (“ROC”) on Harmonisation of critical OTC derivatives data elements (other than UTI and UPI): Revised CDE Technical Guidance - version 3 (the “Consultation”). DTCC welcomes the opportunity to respond to this Consultation and offers the following comments for your consideration.

DTCC acknowledges the importance of the ROC’s efforts on this topic and appreciates its continued engagement with financial markets regulators and the industry. We believe that through the ROC’s recent work we are heading in the right direction towards meeting our common objectives of harmonising critical data elements and enabling amalgamation of data across jurisdictions for global systemic risk monitoring.

DTCC recognizes the effort of the ROC in reflecting certain aspects of our past advocacy in this Consultation. In particular, we are happy to see the clarifications provided with regards to the Valuation Amount (adjusted vs unadjusted), the inclusion of new Action Type and Event Type fields and its usage guidelines, as well as the Event Identifier.

You will find our detailed response to the Consultation questions below. However, given the importance of this overall topic and in our role as a global trade repository provider, DTCC felt it important to offer additional observations relating to the guidance around the implementation of critical data elements (“CDE”) not covered by the Consultation.

We would like to draw your attention to our concerns about the complexities caused by offering multiple standards in the CDE Technical Guidance. Providing a choice of values rather than a prescribed approach defeats the purpose of a standard by persisting with various allowable versions of data. As a result, we notice that jurisdictions could continue to implement different ways of representing the same data element. An inconsistent approach to the representation of

the same data element, such as use of a decimal or a percentage, hinders global aggregation across jurisdictions where one jurisdiction chooses a decimal representation, and a different jurisdiction chooses to implement a percentage requirement. Another example is the alternative of “buyer/seller/payer/receiver LEI” versus direction. Implementation by jurisdictions of one or the other approach is likely to result in further operational complexity to process or convert the data across jurisdictions in order to enable the global aggregation necessary to understand the market.

Further, DTCC would like to address the issue of data elements adopted in more than one jurisdiction, but which are not included in the CDE Technical Guidance. DTCC believes that including these additional fields as CDE elements could benefit market participants and regulators in jurisdictions where the standards are appropriate. Examples of such fields for potential consideration include: Execution agent, Maturity date of the underlying, Submitter. We have included further details in the Appendix.

Finally, while we appreciate the ROC’s open and consultative approach to introducing CDE revisions, we would like to understand the process of raising change requests for CDE Technical Guidance (adding, modifying and deleting data elements) so that the industry may provide proactive feedback.

DTCC welcomes the opportunity to continue a dialog on the issues raised in the Consultation and this letter. We look forward to providing further detail on any of the matters discussed herein.

#### **Response to consultation questions**

<b>Field</b>	<b>Comments</b>
<p>2.6 Counterparty 1 2.7 Counterparty 2</p> <p>Q1: The purpose of updating data elements 2.6 Counterparty 1 (reporting counterparty) and 2.7 Counterparty 2 is to better clarify the expected way of reporting in the case of pre-allocated block trades. Do you have any comments on the proposed clarification?</p>	<p>We are generally supportive of the change which is expected to provide clarity and alignment on the reporting of pre-allocated block trades. We would like to provide the following suggestions and comments for your consideration on the operational perspective of reporting of block trades pre- and post-allocation.</p> <ol style="list-style-type: none"> <li>1. We would like to clarify that the requirement that Counterparty 1 (reporting counterparty) must be identified with an LEI continues to hold for fund managers, in the scenario that the fund manager is the Counterparty 1 in the reporting of the pre-allocated block trades.</li> <li>2. From an operational perspective, we suggest that clarity and guidance be set at a global level on the required reporting steps when allocation takes place. We believe that the reported block trade needs to be terminated and the allocated trades need to be reported with new UTIs. Further, the termination of the block trade ought to be reported via Action Type “TERM” and Event Type “ALOC”. The allocated trades should be reported with Action Type “NEWT” and Event Type “TRAD” with Prior UTI equal to the UTI of the terminated block trade.</li> </ol>

<p>2.70 Notional amount</p> <p>Q5: This data element is updated to clarify that negative notional should be allowed in case of commodity derivatives. Do you have any comments on the proposed amendment?</p>	<p>We would like to seek clarity and guidance on using negative notional amount. Negative notional amounts may potentially cause reconciliation and data aggregation issues. Establishing clear and prescriptive guidance, ideally specifying the exact product types and use cases, is critical to ensure the proper and aligned usage of negative notional amount and the validation duty of a trade repository (“TR”) or swap data repository/security-based swap data repository (“SDR”).</p>
<p>2.53 Price unit of measure, 2.77 Quantity unit of measure 2.99 Basket constituent unit of measure</p> <p>Q4: Do you agree with the use of ISO 20022 UnitOfMeasureCode codeset for the purpose of reporting 2.53 Price unit of measure, 2.77 Quantity unit of measure and 2.99 Basket constituent unit of measure? Is this codeset sufficient to support the reporting of OTC derivatives? Please note that the exact list of allowable values may be a subset of the codes included in this codeset.</p>	<p>We are supportive of the proposed use of ISO 20022 UnitOfMeasureCode codeset.</p> <p>The latest proceedings of the ISO 20022 Derivatives SubSEG working group have determined that the ISO 20022 UnitOfMeasureCode will be made an external code set. DTCC is supportive of this approach. Given this code set is extremely large, we believe that the values in this code set may change on a frequent basis, particularly with the introduction of new crypto-based derivatives. Using an external code set allows the industry to maintain some standardization in values whilst not making the update process overly burdensome.</p>
<p>2.102 Underlier ID (Other) 2.103 Underlier ID (Other) source</p> <p>Q9: The purpose of data elements 2.102 and 2.103 is to allow authorities to better understand the characteristics of the non-standard underliers that are identified as ‘Other’ in the UPI reference data. Do you have any comments on these data elements? Do you foresee any challenges with reporting these elements (if so, please specify)?</p>	<p>We are supportive of adding the two fields. However, we would like to clarify whether the two fields should only be populated when the Underlier ID is “Other” in the UPI system. From a data quality and validation perspective, there needs to be clear and prescriptive guidance, ideally at a global level, on whether conditional validation based on UPI Underlier ID is required.</p>
<p>2.106 Crypto asset underlying indicator</p> <p>Q11: The purpose of data element 2.106 is to allow authorities to easily identify derivative transactions based on crypto assets with a view to enable their analysis. Further guidance on reporting of derivatives on crypto assets may be developed at a later stage. Do you have any comments on this data element? Do you foresee any challenges with reporting this element (if so, please specify)?</p>	<p>The format should be Boolean instead of Char (4), since True or False would be reported in this field.</p>
<p>2.107 Action type 2.108 Event type</p>	<p>We are supportive of adding the two fields Action type and Event type, as we believe that both are key fields for reporting and processing lifecycle events and that global alignment on these fields is crucial. We</p>

<p>Q12: The purpose of data elements 2.107 and 2.108 is to allow authorities to better understand the lifecycle of a derivative, including what action is applied to a derivative (Action type) and what event is causing such action (Event type). Do you have any comments on these data elements? Do you foresee any challenges with reporting these elements (if so, please specify)?</p>	<p>appreciate that allowable values and combinations are being specified which helps to facilitate global alignment in reporting of lifecycle events.</p> <p>However, we would like to draw your attention to a couple of scenarios where we see clarity is missing or jurisdictional differences may arise in the implementation of the two fields.</p> <ul style="list-style-type: none"> <li>• It is not clear whether the specified allowable Action Types can be used regardless of the prior Action Type(s) that have been submitted. For example, clarity is needed whether a Modify (“MODI”) action can be submitted after a Termination action (“TERM”), or whether a New (“NEWT”) action can be submitted after a Transfer out (“PRT0”) action to reinstate (cancellation of the transfer out or transfer back) the transaction. We believe there are certain dependences between the Action Types, and it is logical to allow or disallow certain Action Types after the prior Action Type. Therefore, further guidance is needed around the permitted sequence of Action Types to facilitate consistent implementation across jurisdictions.</li> <li>• It is not clear what Action Types are allowed on an expired trade. The proposal states that Revive (“REVI”) can be used to reinstate an expired trade. However, it is not clear whether all other action types can be submitted on an expired trade.</li> <li>• Under the proposal, alternative options are possible for the same intended lifecycle reporting for certain scenarios. As the proposal does not explicitly disallow certain approaches, it may lead to different implementation approaches by different jurisdictions. For example - <ul style="list-style-type: none"> <li>○ On an expired trade, submitting with either Revive (“REVI”) or Correct (“CORR”) with the Expiration Date extended seems to have the same outcome of reinstating the trade.</li> <li>○ Partial termination can be done via either Modify/ Early Termination (“MODI”/ “ETRM”) or Modify/Trade (“MODI”/ “TRAD”) combination.</li> </ul> </li> </ul> <p>In view of the criticality of the two fields, we believe that clarity and guidance must be established at a global level to achieve harmonised solutions in reporting of lifecycle events, as well as to reduce implementational and operational challenges faced by the industry.</p>
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## Appendix - Additional observations

### I. Usage Guidelines

Given the importance of the following fields, DTCC believes that additional implementation guidance from the ROC would be beneficial.

Field	Recommendation
2.18 Confirmed	CDE Technical Guidance is unclear as to the particulars of this data element. DTCC believes that guidance clarifying that this field is meant to be an “intention” of confirmation and not a status of the actual confirmation would be beneficial.

### II. Multiple standards

As we noted in the cover letter, there are several CDE fields being implemented differently across jurisdictions, due to multiple standards offered in the CDE Technical Guidance. DTCC suggests that the following CDE fields be reviewed to allow a single standard in the Technical Guidance, which would help facilitate consistent implementation, enabling the global aggregation of data.

Field	Recommendation
2.13.1 Direction 1 or Buyer identifier and Seller identifier  2.13.2 Direction 2 or Payer identifier and Receiver identifier	<p>The CDE Technical Guidance allows two different approaches for reporting the direction of a transaction: Buyer and Seller, or Payer and Receiver, according to the product type. We suggest the following:</p> <ol style="list-style-type: none"><li>1. Indication of whether a reporting counterparty is the buyer or seller, or payer or receiver.</li><li>2. Specify the buyer identifier and the seller identifier, or the payer identifier and the receiver identifier.</li></ol> <p>DTCC recommends that the CDE Technical Guidance be updated to allow only one approach to mitigate potential cross-border fragmentation. DTCC notes that the first approach is currently aligned to ISO20022 XML scheme and thus may facilitate implementation. In addition, providing a second copy of the LEI under the second approach may increase compliance costs due to the additional validations required under this approach. This may potentially result in greater reporting errors.</p>
2.50 Price 2.54.3 Price in effect between the unadjusted effective and end date 2.55 Fixed rate 2.57 Spread 2.60 Strike price 2.63.3 Strike price in effect on associated effective date 2.90 Package transaction price 2.93 Package transaction spread	<p>The CDE Technical Guidance allows two different approaches Decimal vs Percentage when the amount is not a monetary amount or quantities.</p> <p>DTCC recommends that the CDE Technical Guidance be updated to allow only one approach to avoid potential cross-border fragmentation. DTCC notes that, in its experience, many trading systems provide pricing and rates using decimal notation and thus “Decimal” may be easier and more cost effective to implement.</p>

### III. Reconsideration of Certain CDE

#### A. Additions

The following are several examples for consideration. We note that all three fields are included into the ISO 20022 XML schema by the latest proceedings of the ISO 20022 Derivatives SubSEG working group.

Field	Recommendation
Submitter	The identification of the actual message submitter by their LEI is common across many jurisdictions and can be identified through various names, such as Report Submitting Entity or Data Submitter. Therefore, DTCC recommends the ROC consider making it a CDE field with a common data element name and associated technical guidance.
Maturity date of the underlying	The data element is applicable to Swaptions and is necessary to understand the tenor of the underlying swap. Given the use of this information and the number of jurisdictions that require or are considering requiring this information, DTCC recommends that this field be added as a CDE and that technical guidance be developed to facilitate cross-jurisdictional alignment.
Execution Agent	Execution Agents are responsible for managing money and executing transactions on behalf of certain types of entities (such as UCITs, trusts, SPVs, endowments, etc.). For these transactions, Execution Agents play a critical role in reviewing the accuracy of the contract details on behalf of the reporting counterparty/other counterparty. Because there could be multiple Execution Agents for a given LEI as a reporting counterparty, it is not possible to give them access to the TR contract data without having them listed on the transactions. In other words, access granularity is required at the UTI level and must be included in the message submission. Such access is critical where the task of confirming the accuracy of a given transaction has been delegated to an Execution Agent. Accordingly, DTCC recommends that this field be added as a CDE and that technical guidance be developed to facilitate cross-jurisdictional alignment.

#### B. Removals

DTCC notes that the following data elements have not been implemented by ESMA or the CFTC and have not been included in the consultations issued by ASIC, MAS, or JFSA. DTCC therefore recommends that these data elements be reviewed and considered for retirement.

2.11	Beneficiary 2
2.12	Beneficiary 2 type
2.48	Counterparty rating trigger indicator
2.49	Counterparty rating threshold indicator
99	Basket constituent's unit of measure
100	Basket constituent's number of units

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We appreciate the ROC's willingness to consider our views and maintain an open dialogue moving forward. Should you wish to discuss our response further, please contact me at [REDACTED] or [REDACTED].

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Childs", is positioned above the printed name and title.

Chris Childs  
Managing Director, Head of Repository and Derivatives Services  
CEO and President, DTCC Deriv/SERV LLC