



October 31, 2022

BY ELECTRONIC MAIL

The Regulatory Oversight Committee (ROC)

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

Re: Revised CDE Technical Guidance – version 3

Dear Regulatory Oversight Committee,

KOR Financial appreciates the opportunity to provide comments to the Regulatory Oversight Committee (“ROC”) as the International Governance Body (IGB) of the Unique Transaction Identifier (“UTI”), Unique Product Identifier (“UPI”), and Critical Data Elements (“CDE”) for its consultation on the revised CDE Technical Guidance. KOR has provided responses to the ROC’s proposed changes, as well as comments on select CDE fields based on our experience as a Trade Repository (“TR”).

U.S.-based KOR Financial is a fintech company that develops future-minded technology innovations tailored specifically for derivatives markets. KOR is a CFTC-licensed and the first independent Swap Data Repository (“SDR”), delivering solutions that enable market participants to meet reporting mandates for OTC derivative trades and lifecycle events. KOR provides a Reporting-as-a-Service (RaaS) offering to complement its SDR, which together replace many common reporting functions and solve numerous systemic reporting challenges. The KOR team comprises former trade repository heads, SMEs and technology pioneers, creating the first intelligent transactional derivatives platform.

KOR supports the ROC and the implementation of the Critical Data Elements. It is important that the standards not only become adopted by global regulators, but also evolve to allow for the reporting of new markets. Doing so



avoids preventing trades being reported due to the timelines of field adoptability by the CDE, global regulators, and the trade repositories.

It is our hope that regulators adopt the CDE fields even if it increases the number of reportable fields in a jurisdiction or changes the current reporting standards. Adopting these fields will reduce the overall cost of reporting for both the reporting parties and trade repositories. The attempt to reduce the field count by using a single field for multiple purposes is only accruing higher implementation costs.

## **General Comments**

While there has been progress to harmonize data fields, the absence of validation standards to these specifications will only lead to unintended divergence across jurisdictions. With the adoption of the UPI, the field validations should be more closely aligned with the standardized products to improve data quality.

One example of where the differences in validations, or lack thereof, can cause costly reporting divergences is in the trade repository uniqueness checks of a UTI. It is important that the uniqueness of a UTI be preserved at the UTI plus Counterparties level, where each side can report but their Counterparty must be the same. UTI uniqueness ensures that messages are correctly linked in scenarios when a platform reports initially and then counterparty 1 must take over the reporting. It prevents misreporting where the reporting counterparty accidentally reuses the same UTI across trades. This means that if the UTI and/or counterparties are misreported the trade must either be errored and reported with a new UTI, or a specific action/event type combination must be introduced to handle the update of the parties to a transaction. Today, however, when one jurisdiction blocks the update of Counterparty 2 and another allows it, cross-jurisdictional trades will end up reported with multiple UTIs for the same transaction.

Furthermore, global harmonization is needed additionally to handle the impact of LEI updates on UTI uniqueness.



In order to achieve consistency in validations, we recommend adding the following standards to each field:

- Asset classes applicability.
- For fields where legs are applicable going beyond just indicating “For each leg of the transaction” in the definition and adding the exact naming and validations.
- If the field should allow arrays - it is important for consistency across jurisdictions. For example, so that one jurisdiction doesn’t implement price as allowing either a single or multiple values and another only allows a single value for price and adds the price schedule fields when multiple should be submitted.

## **Data types**

The data type for boolean should be updated to represent the values true and false (all lowercase) to align with technical standards for booleans. A True and False (pascal case) value displayed currently would have to be reported as a string.

## **Reporting Timestamp**

The purpose stated for the field [Reporting timestamp] does not accurately describe how this field is used by SDRs. (e.g., “Reporting timestamp helps authorities to evaluate market participants’ compliance with business conduct and other regulatory requirements and, more specifically, the timeliness of trade reporting. For example, the difference between the execution timestamp and reporting timestamp will enable authorities to evaluate whether market participants are reporting within the required time frames.”). The reporter’s submission of a value cannot do this alone unless there are validations around the value. A better field to evaluate timeliness would be the timestamp of the SDR receipt of the message.



## **Field Recommendations**

### **Counterparty 1 (reporting counterparty)**

The CFTC has recently published Version 3.1 of the CFTC Technical Specification, part of the updates included allowing Natural Person Identifiers for Counterparty 1. In jurisdictions where an execution platform has a reporting responsibility on intent to clear trades, both parties may be natural persons. As such, the CDE needs to update the Counterparty 1 field to account for this.

### **Clearing Member**

To align with the comment under the field: Counterparty 1, the Clearing Member field needs to be updated to align with the updated CFTC Specifications and allow for a Natural Person Identifier.

### **Counterparty 2 identifier type**

As some jurisdictions allow values other than LEI and Natural Person's in this field, the data type should be updated to an ENUM vs. a boolean. This would allow jurisdictions that allow additional values such as Privacy Law Identifiers or their other additional codes to still use this field and data type and just add additional allowed values. As such, the “indicator” value added to the end of the field name should not be accepted as a redline change.

This change should apply to all “Identifier type” fields

### **Counterparty 1 identifier type**

As natural persons are applicable for Counterparty 1 in certain jurisdictions then the related identifier type field should be added.

### **Clearing Member 1 identifier type**

As natural persons are applicable for Clearing Member in certain jurisdictions, then the related identifier type field should be added.



## **All Schedule fields**

The text “2.54.2: Unadjusted end date of the price (not applicable if the unadjusted end date of a given schedule’s period is back-to-back with the unadjusted effective date of the subsequent period) can lead to issues in validating data. It should be expected when a schedule field is reported that the same number of values for the “price”, “effective” and “end” date are aligned.

## **Collateral Timestamp**

Similar to the CDE field valuation timestamp, a collateral timestamp should be added. If a reporting party missed reporting collateral for any day they need to be able to indicate what date the collateral applied to.

## **Collateralisation category**

The collateralisation category had previously been submitted on transaction messages and could be updated on collateral messages. Recent updates by regulators moved this field to only the collateral message. This had unintended consequences. When a trade is uncollateralized, collateral messages should not be required daily. Without this field available to be submitted on the transaction message a collateral message is then required to indicate it is uncollateralized, and the Trade Repository would include the transaction in reports identifying what UTIs need collateral messages reported as it could not use this field to identify where they were exempt.

## **All currency fields**

As the currency fields are limited to the ISO values, either the fields should be updated to also allow virtual currency values or additional currency fields should be added to report crypto currencies.



## Redline question responses

**Q 1: 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?**

The definition changes: “However, if the allocation of the block trade to specific funds does not take place prior to the reporting deadline, then the fund manager executing the transaction on behalf of the fund can be reported as the counterparty.” is problematic in terms of UTI uniqueness validations. This is why validations are critical to the CDE harmonization. If this is implemented, then the workflow to update the value must be clearly defined or the trade would need to be errored and reported with a new UTI when the correct Counterparty is available.

We recommend that instead it be clarified that in jurisdictions where pre-allocation swaps are reportable, “then the fund manager executing the transaction on behalf of the fund should be reported as the counterparty.”

**Q 4: 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.**

While we agree that international standards should be used anywhere possible, but this codeset is not sufficient to report virtual currency products as the applicable codes are not included in the list. This list could also cause inconsistency in reporting as there are duplicate values (e.g., TONS - Measure of weight, in Britain 2240lb (long ton) and in the US 2000lb



(short ton) vs. USTN - Measure of weight, in the US 2000 lb (short ton)).

We recommend that the ISO list either be expanded to include the necessary virtual currency units, or an additional CDE field be added to capture the virtual currency units.

**Q 7: This data element is updated to further specify the format and allowable values. While for the purpose of the Technical Guidance a generic format Varchar(350) is proposed at this stage, it is understood that the actual format for reporting will reflect the characteristics of the respective identifier of a specific underlier, as maintained by the UPI Service Provider. Do you have any comments on the clarification provided? Do you prefer a more detailed guidance on the format and allowable values to be included in the Technical Guidance? Do you have any suggestions for such guidance, especially when the basket constituents may need to be identified by a structure of elements, rather than a single element? Do you think that this data element should account also for basket constituents not specified within the UPI reference data elements? If so, please provide examples.**

It should be clear that multiple values may be reported in this field which would aggregate above 350 characters. The format would be applicable to each individual value. Baskets may be traded in “weights” of multiple indexes, as such, a field should be added or the field for basket units updated to be a more flexible field. For commodities, sometimes a formula is required to correctly identify how the basket price is calculated.



**Q 9: 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)?**

KOR fully supports the addition of product fields to more accurately report product information where the UPI has delayed creating certain products and is generically grouping them under “non-standard”.

**Q 11: 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)?**

While it is important to address crypto reporting, this field does not go far enough as most reporting fields use ISO standards which do not allow crypto values. Either there needs to be a push to expand ISO or the permissions of an additional set of standard values, outside of ISO for unit and currency fields, need to be permitted.



**Q 12: 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)?**

We agree with the addition of the action and event type, but for consistency in implementation, it is important that there is an agreed upon workflow for the sequencing of events.

There needs to be clarity in terms of how "Corrections" are reported. Jurisdictions and reporting workflows need to be defined to clarify "if only the most recent message can be corrected", or "if previous messages need to be corrected".

If messages other than the last message are expected to be corrected, there must be a mechanism for the correction event to identify which message is being corrected. A message identifier would be needed for each message and a correction message would need to identify which message is being corrected.

As CORR is an action type, it does not allow for an incorrect action type on a message to be corrected. The same issue occurs with Valuations and Collateral messages which may also need corrections to the data submitted.

It should be clarified that a correction event should be used when data is corrected and/or missing information is added. A modification should be used when the parties to the trade agree to a change to the terms. This needs to be consistent across jurisdictions even if some need to update to align with a global standard.



**Q 13: The purpose of data element 2.109 is to inform authorities when a given lifecycle event took place. Some authorities may decide to require only the date of the event, without a time portion. Do you have any comments on this data element? Do you foresee any challenges with reporting this element (if so, please specify)?**

Guidance should clarify what should be reported for the event timestamp on a correction. The event timestamp of the event that is being corrected or the time the correction was identified.

Where the time portion is not available, it should be required to still report the time portion as “00:00:00”.

**Q 14: The purpose of data elements 2.110 and 2.111 is to allow authorities to link multiple derivatives pertaining to the same event, when they cannot be linked e.g. with the Prior UTI. These elements should be used in case of many-to-many relations, such as in the case of compression or credit event. Do you have any comments on these data elements? Do you foresee any challenges with reporting these elements (if so, please specify)? Are there other lifecycle events, in addition to compression and credit event, where such identifier could be useful (in which case further elements could be added)? Which of the proposed harmonisation alternatives should be supported and why?**

Trades that are the result of a compression may later be involved in a second compression event. In these cases, the tracking would be lost unless the event identifier is split into two fields, a pre and post event identifier.



We would like to thank the ROC for its consideration of the comments provided in this letter. Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Tara Manuel".

Tara Collier Manuel

Chief Compliance Officer & Head of Regulatory Products

KOR Financial Inc.

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