



27 February 2015

Secretariat of the Financial Stability Board  
Financial Stability Board  
C/o Bank for International Settlements  
CH-4002 Basel  
Switzerland

By email: [fsb@bis.org](mailto:fsb@bis.org)

Dear Secretariat

**Consultative Document on Standards and Processes for Global Securities Financing  
Data Collection and Aggregation**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of over 130 participants in our exchange traded and over-the-counter (OTC) markets. These markets, including the repo market, are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Given our role in supporting the efficiency of the Australian repo market, the proposals in the Consultative Document are of specific interest to our membership, and our submission focuses on the proposals as applicable to Australia's repo market.

AFMA welcomes the opportunity to comment on the Financial Stability Board's (the Board) consultative document, *Standards and Processes for Global Securities Financing Data Collection and Aggregation* (the Consultative Document). We support the Board's objective to improve data collection on securities lending and repo markets as a means to detect financial stability risks and develop policy responses, and that this objective should be met through an approach that is proportionate to the financial stability risks posed.

As also communicated in our response to the Board's consultation on *Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos*, any policy outcomes that result from this consultation should recognise that markets differ across jurisdictions,

firstly in terms of the financial stability risks posed within domestic and global contexts, and secondly in terms of the technical challenges that highly granular reporting presents.

### **Global consistency essential**

The production of global aggregates which are comparable across jurisdictions requires that data be collected using consistent taxonomies and common definitions. AFMA supports a principles-based approach to data collection which provides an adequate degree of granularity without such collection being unnecessarily burdensome for market participants, or overreaching in terms of disclosure relative to the risks under review.

Cautionary lessons should be learned from the experience with derivatives trade reporting. Trade reporting was a key regulatory objective to come out of the September 2009 Pittsburgh Group of 20 (G20) Summit. With accurate market data, regulators would be better positioned to see where risk concentrations exist.

Implementation of the G20 trade reporting commitment across jurisdictions lacked however the necessary coordination to fully achieve this goal. The result is a disjointed and costly network of reporting obligations, with market participants reporting to a multiplicity of trade repositories on different bases. Various jurisdictions like the EU, US, Hong Kong, Singapore, Australia, Malaysia, Taiwan, China, India and South Korea all developed their own reporting regimes with differences in reporting nexus, reporting fields, reportable products and other elements in each jurisdiction. This has made the building of an efficient data capture system particularly challenging. As a result, despite having access to more information than ever before, regulators may lack a completely consolidated view of the true risk picture, and they currently have no effective means of aggregating data.

Many of the current cross-border challenges exist due to the fact that there is an inherent focus on domestic markets for member regulators. National regulators are generally explicitly required to consider the impact of their conduct (including rule-making, supervision and enforcement) on their domestic market as a priority, rather than consider any effect outside their jurisdiction. Further, national regulators may face constraints in fully implementing global standards or recommendations, particularly in the realm of rule-making.

This domestic focus explains some of the challenges national regulators have faced in implementing the G-20 commitments in a way that avoids fragmentation of markets, protectionism and regulatory arbitrage between different jurisdictions. Smooth global implementation of the G20 commitments has been further impeded by insufficient cooperation and coordination among national / regional regulators.

Despite calls for consistency from the Board, as well as a number of re-affirmations by Leaders at G20 summits, global approaches continue to be undermined by the unilateral and uncoordinated implementation (and extraterritorial application) of rules by individual jurisdictions, to the detriment of global markets, with consequential impacts on the services available to business. The Board must vigorously avoid a similar outcome with this project.

## General observations

The general observations provided below and the subsequent responses to questions have been drawn from feedback received primarily from Australia's domestic banks, and relate specifically to repos. Furthermore, these observations relate only to those consultation questions posed by the Board and for which AFMA received member feedback.

- I. The Board envisions that the standards and processes would allow the collection of aggregated data on securities lending and repos at least monthly, and that central bank and internal transactions be excluded from reporting requirements. AFMA recommends that, at the national level, all transactions executed with central banks and internal deals within the same legal entity be reported, such granularity supporting national endeavours towards in-depth analysis of the domestic repo market. This data may then be eliminated by the national regulator when reporting to the Board.
- II. Transaction level reporting is unlikely to provide any additional insight into financial stability risks than that provided by granular position reporting, the former being difficult to capture given that electronic platforms are not widely used for repo in this jurisdiction.
- III. Collateral re-use has not been tracked nor are there systems widely in use in this jurisdiction which could measure this. Accordingly an extended lead-time is recommended for any requirement to commence reporting this element.
- IV. Given the significant amount of work and resources needed to automate the collection of this data, AFMA suggests that the timeframe for implementation should be extended.
- V. From the perspective of publication of globally aggregated data, AFMA suggests that calendar quarterly frequency is adequate.

## Comments on specific data questions

AFMA's response are restricted to repo market questions, the minimisation of double counting and the timing of implementation.

*Q2-1: Does the proposed definition of repos provide a practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?*

AFMA Response to Q2-1: The proposed definition of repos is deemed to be appropriate.

*Q2-2: In a later stage, a list of transactions that are economically equivalent to repos may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.*

AFMA Response to Q2-2: The Australian repo market is dominated by trades between Authorised Deposit-taking Institutions (banks) and primarily collateralised with Commonwealth and State government securities. We do not envision that this will change materially in the short term. From an Australian perspective the inclusions suggested are considered adequate.

*Q2-3: Are the proposed definitions and level of granularity of the data elements described in Tables 2 to 4 appropriate for a consistent collection of data on repo markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for repo rate (in Table 3), collateral residual maturity, haircut and collateral type (in Table 4) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.*

AFMA Response to Q2-3: Transaction level reporting is unlikely to provide any additional insights into financial stability risks than that provided by granular position reporting, the former being difficult to capture given that electronic platforms are not widely used for repo in this jurisdiction.

We recommend that the individual currency reporting profile (Table 2: 2.4) be expanded to include the currency of all reporting jurisdictions, or at a minimum include AUD – Australian dollars – as this will facilitate comparison of risk profiles between Australia-comparable jurisdictions.

With regard to repo rate reporting (Table 3: 3.9) AFMA recommends greater granularity in the data collections process, with an incremental calibration of 0.10% up to 0.50%, and thereafter .25% for the buckets. This granularity is considered to be more appropriate for the Australian repo market where the greater majority of transactions are secured by High Quality Liquid Assets (HQLA) as prescribed for this jurisdiction.

Given the significant amount of work and resources needed to automate the collection of this data, AFMA suggests that the timeframe for implementation should be extended.

*Q2-4: Do you see any practical difficulties in reporting the total market value of collateral that has been re-used? Do you have any suggestion for addressing such difficulties?*

AFMA Response to Q2-4: Collateral re-use has not been tracked nor are there systems widely in use in this jurisdiction which could measure this. An extended lead-time is recommended for any requirement to commence reporting this element.

*Q2-5: Do the classifications provided for “market segment – trading” (in Table 3) and “market segment – clearing” (in Table 3 and 4) appropriately reflect relevant structural features of the repo markets? Are there additional structural features of repo markets that should be considered?*

AFMA Response to Q2-5: The classifications as presented appropriately reflect relevant structural features of the Australian repo market.

*Q2-6: Are there additional repo data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.*

AFMA Response to Q2-6: AFMA recommends that, at the local level, transactions executed with central banks and internal deals within the same legal entity be reported. This would support local endeavours towards comprehensive analysis of the repo market. Central banks would then exclude this data when reporting to the Board.

*Q3-3: Do the proposed measures for minimising double-counting at the global level constitute a practical solution to the problem?*

AFMA Response to Q3-3: Provided that reporting is identified as lending or borrowing as indicated, then this methodology should avoid double counting by only selecting one side of the transaction.

*Q3-4: Are there any confidentiality issues that you consider relevant for the global securities financing data collection other than those explained above? If so, please provide any practical suggestions to overcome such issues?*

AFMA Response to Q3-4: Provided the data is captured and aggregated as either public, restricted or confidential and thereafter treated as described in the consultation, then confidentiality issues should be minimised.

### **Comments on other questions relevant to repo activities**

*Q4-1: Do the proposed recommendations as set out above adequately support the authorities in deriving meaningful global aggregate data? Are there any other important considerations that should be included?*

AFMA Response to Q4-1: The proposed recommendations are considered to be sufficient.

*Q6-3: Do you agree that a pilot exercise should be conducted before launching the new reporting framework? If so, are there any practical suggestions that the FSB and national/regional authorities should consider when preparing the pilot exercise?*

AFMA Response to Q6-3: A pilot exercise is appropriate in order to test for both practicalities and deficiencies encountered in satisfying the reporting elements.

*Q6-4: In your view, what level of aggregation and frequency for the publication of the globally aggregated data on securities financing transactions by the FSB would be useful? Please provide separate answers for repo, securities lending and margin lending if necessary.*

AFMA Response to Q6-4: As described in this consultation, the Board envisions that the standards and processes would allow the collection of aggregated data on securities lending and repos at least monthly. This collection frequently notwithstanding, from the perspective of publication of globally aggregated data AFMA suggests that calendar quarterly frequency is adequate.

### **Concluding remarks**

AFMA supports the Board's objective of improving data collection on securities lending and repo markets as a means to detect financial stability risks, and that this objective should be met through an approach that is proportionate to the risks posed. To this end we support a principles-based approach to data collection which provides an adequate degree of granularity without such collection being unnecessarily burdensome for market participants, or overreaching in terms of disclosure relative to the risks under review.

AFMA will maintain a dialogue with the Reserve Bank of Australia on this matter and would be pleased to provide further comment through this channel if desired. Please contact Murray Regan [mregan@afma.com.au](mailto:mregan@afma.com.au) if further clarification or elaboration is desired.

Yours sincerely



Murray Regan  
Director - Markets and Rates  
**Australian Financial Markets Association**