DTCC

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Secretariat of the Financial Stability Board - Via electronic submission to fsb@bis.org

DTCC response to FSB Consultative Document: Standards and Processes for Global Securities Financing Data Collection and Aggregation, dated 13 November 2014 (the "Consultation")

Dear Sir/Madam,

The Depository Trust & Clearing Corporation ('DTCC') would like to thank the Financial Stability Board for providing this opportunity for industry participants to comment on the questions set out in the Consultation. DTCC is pleased to offer its views based on its experience as both an infrastructure supporting the US repo market regulated by the US Securities and Exchange Commission ('SEC') and also as a global Trade Repository with various subsidiaries operating and supervised in the following jurisdictions:

Entity	Location	Regulators
DTCC Data Repository (U.S.) LLC ("DDR")	United States	CFTC OSC (Ontario) AMF (Quebec) MSC (Manitoba)
DTCC Derivatives Repository Ltd. ("DDRL")	United Kingdom	ESMA – TR FCA - Corporate
DTCC Data Repository (Japan) KK ("DDRJ")	Japan	JFSA
DTCC Data Repository (Singapore) Pte Ltd. ("DDRS")	Singapore	MAS (Singapore) ASIC (Australia)

In these various jurisdictions, DTCC offers reporting in up to 5 derivative asset classes according to the local regulatory specification. This can include some or all of the asset classes of Credit, Rates, FX, Equities and Commodities.

In the US repo market through its Fixed Income Clearing Corporation, FICC, DTCC on average matches, nets, settles and risk manages repo transactions valued at more than $1.7 trillion a day, bringing substantial cost-reduction benefits to its netting members and reducing positions requiring delivery by as much as 75%.

Currently, the family of repositories operated by the DTCC and its subsidiaries receive 180+ million transaction reports per week and the portal data access service is used regularly by approximately 40 regulators from around the world.

We hope FSB finds this input to be of use and would reaffirm our willingness to continue working with the global regulatory community to increase the transparency and safety of global markets.

Yours sincerely,

Larry E. Thompson

Larry Thompson
Vice Chairman and General Counsel

General Comments

DTCC strongly agrees with the FSB and its Data Experts Group ('DEG') that common data standards and processes are essential to facilitate global data collection and aggregation. In this regard, we would refer the FSB to the recent DTCC white paper covering the G20's Global Derivatives Transparency Mandate on this topic which highlights the issues around data aggregation that we have identified through the operation of the only truly global Trade Repository.

(http://dtcc.com/~/media/Files/Downloads/WhitePapers/GTR_WhitePaper_Jan2015.pdf)

DTCC also agrees with the FSB's contention that national and regional authorities should build collection mechanisms that build upon 'existing data collection processes and market infrastructures where appropriate' in order to both reduce the compliance burden on the industry and to build on the many successful regional/national initiatives in this space.

Responses to specific questions identified in the Consultation

Section 2

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

DTCC response: For the sake of clarity, the Fixed Income Clearing Corporation ('FICC'), Government Securities Division ('GSD') processes deliverable repos and tri-party repo transactions and comments are made from this perspective.

Business rules define the required fields that member firms submit and match in order to settle the trade via GSD. The fields defined in Table 1 are listed overleaf together with an explanation of their use within GSD.

Repo	
Value date	***Yes – matching field***
Maturity date	***Yes – matching field***
Collateral type	***No – Only CCP eligible securities (government and agency debt for bilateral and Government, agency and mortgage pass throughs for tri-party***
Collateral quality	***No – only U.S. government instruments are eligible.***
Haircut	***No - Not applicable at the CCP***
Principal Amount	***Yes – matching field***
Counterparty type	***No – CCP allows trades between all member firms (banks, dealers, inter-dealer brokers, government sponsored entities)***
(Repo) Market segment (bilateral, tri-party or CCP-cleared)	***Yes – CCP supports bi-lateral and tri-party cleared trades***
Repo Rate	***Yes – matching field for tri-party trades, not for bi-lateral trades (match off final money)***
Cash currency	***No – US dollar only***
Collateral currency	***No – US dollar only***

Within Table 2 the information requested is available on a gross trade level basis. However, GSD can generate this information at that level..

Within Table 3 GSD does not know if the member firms trade as principal or agent. All trades matched within GSD are deemed to be principal vs. the clearing house. All other data appears relevant.

Within Table 4 most fields are reportable and all appear relevant although we would suggest that a clearer definition of the term 're-use' be provided..

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.

DTCC response: Not applicable as GSD currently does not process transactions beyond repo and reverse repo trades.

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.

DTCC response: With regard to data aggregation, we believe more detailed information is required relating to format and field size in order to ensure consistency across various jurisdictions.

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?

DTCC response: As per the comment above, the definition of the term 're-used' is unclear. If it is in the sense of re-hypothecation, then from a CCP perspective each trade is standalone transaction. GSD has no way of knowing from where the securities in question are derived (firms 'box', a loan etc.) or their ultimate destination. On the GCF tri-party side, firms allocate to FICC and we allocate to other members. Those firms can reallocate but GSD has no way to know if collateral has been re-hypothecated or not at the point the trade settles.

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?

DTCC response: GSD is unaware of any additional market segments and believes the identified market segments should be appropriate.

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.

DTCC response: The lists appear to be comprehensive.

<u>Section 3</u>

Q3-1. Is the data architecture described in Section 3 adequate to support the global securities financing data collection and aggregation? Are there other relevant issues to be considered?

DTCC response: We believe the two tier approach is an appropriate way of describing the submission, collection and aggregation of the data at these two stages. DTCC support the comment that there should be a considerable effort to harmonize the approaches between the national/regional authorities. We would recommend that existing market infrastructure should be leveraged as much as possible where data standards can be managed centrally and can be enforced across jurisdictions. Furthermore, trade repositories ("TR's") could be leveraged for a consistent approach to aggregation of the data that otherwise would be the responsibility of the national / regional authority, and as described in the consultation paper, different thresholds or aggregation methods could be adopted by each authority resulting in the global aggregation of the data not being as comprehensive or accurate as it might be.

If TR's are to be used then there would need to be adequate implementation time to develop the functionality to accept these types of products and address any data confidentiality concerns and aggregation capabilities.

Q3-2. Do you have any other practical suggestions to reduce any additional reporting burden and improve the consistency of the global data collection?

DTCC response: As described above, DTCC would recommend that TR's be used to facilitate the majority of the data collection for these products and provide a consistent approach to aggregating the data. This would lessen the compliance burden on larger market participants as the vast majority, if not all, will already have reporting obligations in various jurisdictions for OTC and or ETD derivatives and will therefore already have established connectivity to TR[s]. Centralizing the collection of data and its subsequent aggregation will also promote consistency across jurisdictions and require the market participants to build connectivity only once to any particular TR, thereby reducing the cost of compliance. The national / regional authorities will be able to rely on aggregated data from a central source but also be able to retrieve transaction data from the TR[s] where they have entitlement to view data.

Using TR's to centralize the aggregation of data may also increase the amount of trades included in the global aggregation since the TR can perform aggregation prior to submitting to the global aggregator. The use of a TR could address the particular scenario where one reporting entity reports in jurisdiction B and is primarily the only reporting entity in that jurisdiction would result in potentially no data being submitted by the national / regional authority to the global aggregator due to potential to identify the counterparty. By using a TR the data could be collected and aggregated prior to submission to the global aggregator and therefore remove further concerns on identifying specific counterparties. Further review of the level of aggregation would need to be considered so as not to eventually be able to identify the counterparty.

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

DTCC response: Centralizing the collection of data further minimizes the potential of double-counting. In our experience, a consistent use of counterparty identifiers is critical to achieve this where transaction level data is collected and DTCC would recommend that reporting parties submit data with LEI's. Furthermore, a clear product description agreed upon before reporting starts should be a priority so that regardless of where the aggregation is performed the products and counterparty identifiers are consistent and double-counting can be minimized. Product descriptions could be tackled at the industry level through trade organizations but should be globally adopted to ensure consistency across jurisdictions.

A very clear description of non-reporting entities will also assist the industry in ensuring only reportable trades are reported and by reporting entities.

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?

DTCC response: Nothing to add

Section 4

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?

DTCC response: We fully support the FSB recommendation that all national/regional authorities should adopt the standards and processes identified in the final version of this recommendation, recognizing that some authorities may regard these standards and processes as the complete solution whilst others may see this as the basis of a solution with extended scope and granularity. We would recommend, however, that the final version of this recommendation be explicit in regard of the adoption of global standards where they are appropriate. The most obvious example of this, as identified in this consultation, would be the adoption of the ISO Legal Entity Identifier (LEI) standard that has been adopted in a number of national/regional reporting legislation as the basic mechanism for identification of reporting entities. We believe that adoption of this standard would be very beneficial to financial reporting solutions in all jurisdictions by permitting cross border data aggregation to be facilitated easily and efficiently.

We further strongly support the FSB's recommendation to adopt a harmonized reporting frequency on a global basis.

Section 6

Q6-1. Are there any relevant practical issue related to the possible extension of the list of data elements to be considered as set out in Section 6?

DTCC response: Nothing to add

Q6-2. Are there other data elements in relation to securities financing transactions that you think the FSB should consider for financial stability purposes?

DTCC response: A unique trade identifier ("UTI") would assist in further identifying two sides of a trade reported by two different reporting entities. This identifier is very similar in nature to that required for OTC derivative reporting and could be used in the same way. However, the industry is still challenged with how this UTI is communicated between parties in time to be reported. We further believe this to be a highly practical way to ensure double-counting is minimized.

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?

DTCC response: Yes, we believe this to be a practical recommendation.

The FSB could consider a small number of the larger jurisdictions and focus on the larger market participants during the pilot exercise. In the pilot it may make more sense for data to be collected in the most cost efficient manner and that may be on *.csv* templates direct from the reporting entities. Once the pilot is concluded then detailed requirements and processes can be gathered to develop the necessary market infrastructure, including TR's, where appropriate.

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.

DTCC response: *Frequency* - From our experience, DTCC would suggest a phased approach where globally aggregated data for all products, starts to be published with a monthly frequency and increasing to weekly over a period of time to be determined but probably no less than over a 12 month period.

Level of aggregation – DTCC recommends that initially, aggregation should be at a higher level and over time developed to be more granular. For instance, Collateral Market Value and number of transactions may be considered in phase 1. Further phases may then go more granular to Counterparty types, sectors, currencies, collateral quality, loan and collateral maturities bands etc.