

REGIS-TR RESPONSE TO FSB Consultative Document

Strengthening Oversight and Regulation of Shadow Banking / 18 November 2012

➤ Introduction

REGIS-TR is a European central trade repository for derivatives transactions across multiple product classes. The trade repository is open to financial and non-financial institutions, and will service all types of derivative contracts in a unique market offering.

REGIS-TR appreciates the opportunity to share its views on the most efficient mechanisms to collect financial data for regulatory purposes and would like to offer its assistance at any point during the development of the objectives defined in this Consultative Document.

➤ General Comments

REGIS-TR believes trade repositories will become a key component in the development of market regulator's supervisory tasks. Trade repositories are in the perfect position to serve as a cornerstone in the collection and analysis of reliable data.

It is our opinion that TRs offer exhaustive STP procedures which may imply an initial development cost, but which will prove to be a stable and reliable source of information. This option will be more efficient the more regulators and market participants leverage on existing mechanisms, connections and repositories.

On the market participants' side, the obligation to report derivatives activity to a trade repository under EMIR, which is entering into force in 2013, has obliged financial and non-financial institutions to already include connection and membership costs to TRs in their budgets. The adaptation to new reporting obligations for different regulatory requirements will not entail a large additional cost; furthermore, standard costs (TR membership fees, technical connection set-up, administrative and compliance costs) can be shared by the different activity areas within the entities.

On the regulators' side, many of them already have access to existing trade repositories. The effort of the CPSS/IOSCO Working Group, for the standardisation of the regulators' access to trade repositories' data in the derivatives marketplace, can be leveraged for the supervision over other financial activities.

Comments on FSB recommendations

REGIS-TR supports the following recommendations;

Recommendation 2:

Recommendation: “Trade repositories (TRs) are likely to be the most effective way to collect comprehensive repo and securities lending market data. The FSB should consult on the appropriate geographical and product scope of such TRs. The FSB should encourage national/regional authorities to undertake feasibility studies for the establishment of TRs for individual repo and securities lending markets, as well as coordinate and facilitate those efforts. Depending on the consultation findings on the appropriate geographical and product scope of TRs, the FSB should also establish a working group to identify the appropriate scope and undertake a feasibility study for one or more TRs at a global level. Such feasibility studies should involve market participants.”

REGIS-TR comment: We agree on the idea that TRs are likely to be the most effective way to collect comprehensive data. Additionally, to make this alternative more efficient, supervisors should leverage on existing TRs and channels of communications developed among TRs, CCPs and middleware platforms to avoid a greater regulatory burden on market participants.

In the derivatives landscape, the role of middleware platforms and system vendors is becoming crucial in order to facilitate the provision of trades’ details to the existing trade repositories. These platforms already handle a large portion of the data exchanged by the counterparties, which turns them into a fundamental axis for the massive handling of transactions details, avoiding the direct connection of medium and small participants to TRs.

Recommendation 3:

Recommendation: “As an interim step, the FSB should coordinate a set of market-wide surveys by national/regional authorities to increase transparency for financial stability purposes and inform the design of TRs. Such market-wide surveys should make publicly available aggregate summary information on securities lending and repo markets on a regular basis.”

Comment: We agree with the defined procedure, particularly with the suggestion of sharing information with the relevant parties in order to design effective and efficient solutions.

In the case the preferred option is that of reporting through trade repositories, the onboarding of market participants may take between three and six months, depending on

the participant's size and the existing links the participant already has with TRs or with middleware platforms that can take care of its reporting obligation. Bearing in mind that the major participants in the securities lending and repo markets are already connected to TRs for the reporting of their derivatives contracts, the start of new reporting lines for these markets should not suppose a big hurdle.

➤ **Comments on FSB questions**

Question 7

Q7. Do you agree TRs would likely be the most effective way to collect comprehensive market data for securities lending and/or repos? What is the appropriate geographical and product scope of TRs in collecting such market data?

The creation of these new market infrastructures and all the links and technical developments needed to provide them with the required data will imply a cost for the industry, but the financial industry will obtain further benefits than originally expected if regulators leverage on these developments.

Trade repositories put, at the service of the different regulators, the information necessary for them to fulfill their respective mandates, keeping confidential the rest of the data, which is not within their scope.

There are several regulations, apart from EMIR, that see existing trade repositories as the best infrastructure to gather information from participants in different markets. The information to be gathered can be recorded in separate databases, sharing the same infrastructure and leveraging on the existing connections from markets participants to the trade repositories. In this way, regulations like MiFIR and REMIT are also pointing to trade repositories as the best tool to gather and manage information sent by supervised entities.

Regulators that are in charge of the surveillance of Shadow Banking can trust that existing TRs will be willing to widen their current services' scope to cover new regulations. If the data required were globally agreed by regulators worldwide, the TRs' process to set a new specific database for Shadow Banking would be very straightforward.

Bearing in mind the great challenge it implies, if international standards were defined, trade repositories could achieve an international scope and try to gather data over all the required products.

Question 8

Q8. What are the issues authorities should be mindful of when undertaking feasibility studies for the establishment of TRs for repo and/or securities lending markets?

In our opinion, authorities should approach existing TRs to proceed with a gap analysis of existing capabilities and of their data collection requirements.

The collection and aggregation of TR's data is the most important point to be addressed when using these new infrastructures for the supervision of the Shadow Banking activity. Regulators must focus on delivering a set of international standards accepted globally by the regulatory community, in order to allow TRs to define a database both accepted and meaningful worldwide.

Additionally international standards (i.e. LEI) should be applied to allow for an efficient and wide use of the data provided by market participants.