



5 Water Street
New York, NY 10041

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Secretariat
Financial Stability Board
Bank for International Settlements (BIS)
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Via Email: fsb@bis.org

Response Comments

Consultation Paper (the “Consultation”) Feasibility Study on Approaches to Aggregate OTC Derivatives Data

Dear Sir or Madam,

On behalf of The Depository Trust & Clearing Corporation (“DTCC”), we appreciate the opportunity to comment on the Consultation issued on February 4, 2014. As an organization that provides local and global trade reporting solutions for its customers and facilitates the supervisory duties of the appropriate regulators through access to this collated data, we fully support the efforts of the Financial Stability Board (“FSB”) to realize the G20 goal of reducing systemic risk through improved transparency of OTC derivatives trading globally. We agree that this requires a comprehensive discussion regarding the legal, technical and political challenges that currently impede the global aggregation of OTC derivatives data.

DTCC’s Repository Service

DTCC through its subsidiary DTCC Deriv/SERV LLC operates locally incorporated companies that provide voluntary and legally mandated trade reporting through existing systems and infrastructure in many global jurisdictions. The Warehouse Trust Company operates the Trade Information Warehouse that facilitates ODRF voluntary reporting of global credit derivative transactions. DTCC Data Repository (U.S.) LLC is provisionally licensed by the CFTC to act as a Swap Data Repository in the United States and is applying for recognition as a designated trade repository in three provinces in Canada. DTCC Derivatives Repository Ltd. (“DDRL”) is licensed as an FCA service company and approved by ESMA as a Trade Repository in the European Union. DDRL operates as an EU trade

repository and also facilitates reporting to the Australian (ASIC) and Hong Kong (HKMA) authorities. DTCC Data Repository (Singapore) Pte Ltd (“DDRS”) is licensed as a trade repository by the Monetary Authority of Singapore and is operating as a trade repository in Singapore. DDRS has applied for a license to act as a foreign trade repository in Australia. DTCC Data Repository (Japan) KK is regulated by the Japanese Financial Services Agency and operates as the only trade repository in Japan.

DTCC continues to expand its geographical footprint to provide trade repository services in other jurisdictions around the world through its existing systems and infrastructure. DTCC is the only company to provide trade repository services globally in all five major asset classes.

DTCC has always believed in the value of a global data set that can satisfy varied regulatory objectives. Individual regulators can utilize it to assess risk in their respective jurisdictions and the collective regulatory body can utilize it to assess global risk and significantly mitigate the network effect created by a globally integrated and interdependent marketplace. In fact this model is the basis upon which DTCC designed its original trade repository concept.

DTCC appreciates the FSB’s comprehensive and exhaustive analysis of the feasibility of aggregating OTC derivative data. Further, we support the goal to globally aggregate data and welcome the opportunity to respond to this consultation. DTCC fully understands the value of aggregate data having successfully operated the Trade Information Warehouse (“TIW”) supporting a centralized model for global regulatory reporting since 2010 pursuant to guidelines provided by the OTC Derivatives Regulators Forum (ODRF). Currently over 40 regulatory authorities across 22 jurisdictions make use of TIW data. The underpinning of TIW’s infrastructure was developed to provide a centralized service to address post trade processing. In conjunction with ISDA and market participants, standards and data flows were addressed which enabled TIW to hold clean “gold” quality data. The subsequent 2010 ODRF guidelines enabled TIW to work with its clients and the ODRF regulatory authorities to address data sharing and access. The quantifiable benefits we have seen from the TIW model are high quality standardized data and a market infrastructure that allows regulators to access data across multiple jurisdictions in accordance with agreed upon access guidelines.

Attached are our comments to the Consultation. We would welcome the opportunity to discuss these comments more fully if required.

Yours sincerely,



Marisol Collazo
Managing Director
Head of Regulatory Relations
DTCC Deriv/SERV LLC

General Comments

DTCC strongly recommends that the FSB change the order of its review and rather than starting with technical options first begin with completing a study that identifies the analysis required to achieve the G20 systemic risk goal together with identification of the actual data required to complete this analysis. In addition, the study should focus on the necessary steps to be taken with regard to amending local regulation and agreeing global data standards to facilitate aggregation. Only when consensus has been reached on these aspects is it logical to identify any technical solution to the aggregation. Such analysis and consensus will help to avoid the creation of any potentially unnecessary new and duplicative infrastructure.

Specific comments

Aggregation

DTCC believes before there can be a discussion on the most appropriate global aggregation solution, there needs to be agreement on the nature of the analysis to be performed on the aggregated data set. Whilst individual national regulators clearly need access to the detailed data housed in local trade repositories, an equally important usage of local data is in its aggregation to allow analysis of the global exposure of individual participants, the interconnectedness of markets and participants and the network effect of such interconnectedness. Agreement of the analysis required to complete this activity will then inform the discussion on the actual data elements that need to be aggregated, as without this analysis, it is impossible to determine if the global aggregation solution requires the aggregation of all data or a subset of the local data. Determination of the correct data set to be aggregated and the analysis of that data are therefore pre-requisites to determining the most appropriate aggregation solution. With their global purview, we believe FSB is ideally placed to complete this determination.

Data Standards

Currently, complex and varied reporting rules allow for myriad depictions of the same data fields or an exclusion of a field completely in a particular jurisdiction. Data harmonization must be a key consideration and enacted on a global scale before we can discuss the technological and governance concerns of aggregate data. As discussed above, a global data set constructed pursuant to global needs may be narrower in scope than the data set required by local regulators and should be standardized resulting in a global data dictionary of commonly used and defined elements. Once the narrow data set is established and the elements defined and represented in a common way, each jurisdiction can work to harmonize those elements of the data set within their local rules. Once harmonized, data quality will rise thus increasing the likelihood of successful aggregation. The FSB should focus its near term efforts on developing international consensus on the what elements should constitute the global data set, the definition of the elements and the adoption of the usage of such elements as part of any local regulatory requirements. This interim step will further not only the goal of aggregation but will allow for the better understanding and comparison of data residing in local trade repositories prior to the development of any aggregation mechanism. Upon completion of this phase, discussion can move toward the technical solutions to actual aggregation.

The Access Report points out the need for significant changes to data sharing, privacy and other legal requirements that currently stand as hurdles to aggregation. There needs to be a consensus reached on model rules for the sharing of data outside of the local jurisdiction and an adoption of such model rules. Only after these steps have been taken can a potentially successful discussion of how to aggregate data truly begin. The work to create this optimal environment falls squarely on the global regulatory community to coalesce around common rules and standards and to reform local law to accommodate data sharing.

Technical Options

DTCC thinks it is too premature to decide on the technical solution to data aggregation without the information and analysis defined above. Such analysis might yield a different conclusion about whether another infrastructure needs to be established or whether solutions might be around governance of already established global infrastructures.

Ultimately, as the market evolves and increasing numbers of jurisdictions require trade repository services or establish trade repositories, expedience with respect to the implementation of a global aggregation model will be critical. With a global solution in place current jurisdictions can effectively revise their laws and future jurisdictions can follow global guidelines when establishing their local legal, privacy and access laws resulting in transparency and the ability to address systemic risk in the global market place.