

**FSB-Consultation Paper:
Feasibility study on approaches
to aggregate OTC derivatives data**

Introduction

Deutsches Aktieninstitut¹ welcomes the opportunity to comment the FSB's consultation paper on approaches to aggregate OTC derivative data. We represent the view of non-financial companies using derivatives almost exclusively for risk-mitigating purposes. Under the European Market Infrastructure Regulation (EMIR) those companies are required to report their derivative exposures to trade repositories. We would very much appreciate if you could take into account the following remarks.

¹ Deutsches Aktieninstitut represents the entire German economy interested in the capital markets. Its about 200 members are listed corporations, banks, stock exchanges, investors and other important market participants. Deutsches Aktieninstitut keeps offices in Frankfurt am Main, Brussels and in Berlin (as of April 2014).

Remarks on specific issues

P. 5: Options for aggregation of TR data

FSB proposes three model options for the aggregation of TR data for supervisory purposes. We think that option 1 (“physically centralized model of aggregation”) is not feasible due to several legal obstacles (data protection etc.) as also mentioned in the consultation paper.

The decentralized option 3 (“collection of raw data from local TR databases by individual authorities that then aggregate the data themselves within their own system”) seems to be inefficient as every national competent authority would have to build up its own aggregation structure. It is also very prone to mistakes as a common understanding of the aggregation mechanism is not very likely. Last not least, as a result this model is very likely to lead to very differing interpretations of the data itself. It would also be very difficult to define who would qualify to receive which type of information.

For these reasons we favour option 2 (“logically centralized model of aggregation”). Nevertheless, we stress that this option has to apply high quality standards of data protection etc. As regards the governance structure we prefer a public entity. This would be a counterweight to the national transaction registers, which are largely private entities. We also support the idea to take the International Data Hub on global systemically important banks hosted by the Bank for International Settlements as a role model.

P. 8: Data aggregation

Data protection is especially important for the data publicly provided. Market participants should not be able to draw conclusions from the information provided on the companies’ risk-mitigating strategies or other specifics of strategic importance, neither directly nor indirectly.

Regarding publicly provided data, we think the example of the Depository Trust & Clearing Corporation (DTCC) could be followed. DTCC reveals in the public section of its website only two summary counterparty categories,

“Dealer” and “Non-Dealer/Customer”, plus the respective aggregate amounts for the instrument in question.

P. 11: Data standards and format

We are aware that data and formats delivered to national TRs differ among the jurisdictions. Nevertheless, especially for non-financial companies not used to extensive reporting mechanisms on their transactions it was very burdensome in terms of IT-costs and human resources to implement the respective processes according to the national reporting standards. Therefore, we strictly oppose harmonization efforts which would contradict existing local standards and which would mean an additional implementation burden. This would be the result of the “Upstream standardization” proposed on p. 35 of the consultation document. Harmonization should take place “downstream” in any case. In combination with the “Data Hub” concept it would require such steps only for the central entity which would aggregate the respective TR data.

Regarding the features FSB proposes to harmonize we doubt that the timestamp and the type of master agreement are elements “necessary or desirable to aggregate”. The time stamp should be superfluous as the identification of each individual trade is possible via the UTI, for which market standards are already in place. We also do not understand what information benefit the aggregation of the type of master agreements involved would add to the transactions list. To note, all master agreements include individual bilateral settings between counterparties.

P. 16: Anonymisation

We understand that fully anonymous records are more difficult to aggregate for the reasons given by the FSB. Therefore, the option “partially anonymised” is acceptable provided that strict standards for data protection are in place. Hence, it is also important that the disclosure level of the data is sufficiently aggregate.

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