



28 February 2014

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

By email: fsb@bis.org

Dear Sirs

Strate Response to FSB Paper 'Consultation Paper: Feasibility study on approaches to aggregate OTC derivatives data'

Strate welcomes the opportunity to respond to the Financial Stability Board's (FSB) invitation to comment on the analysis in the Consultation Paper: Feasibility study on approaches to aggregate OTC derivatives data¹.

Strate seeks to obtain the licence to establish a trade repository in South Africa for the reporting of OTC derivatives transactions under local regulatory requirements, which are still to be formulated.

The below describes Strate's position with reference to the Consultation paper. We have not responded to each of the questions individually, as we believe it would be clearer to describe our position more generally to the FSB.

1. Strate acknowledges the importance of developing a global aggregation mechanism to ensure that data reported to TRs can be effectively used by authorities. However, the establishment of a physically centralised model (Option 1) may be globally desirable, it is questionable whether a "one-size-fits-all" mega-database can be built cost-effectively and timeously.

¹ Available at: <https://www.financialstabilityboard.org/publications/r>

2. From the perspective of South Africa, two scenarios could arise -
 - o should there be more than one local TR for all OTC derivative types, Option 2 would best suit since all the OTC derivatives data that needs aggregating will reside in the local TRs, and an aggregator layer is all that needs be built; and
 - o if the local TRs are separated per OTC derivative types (i.e. only one TR is used for interest rate swaps, and another for equity derivatives, for example) then Option 3 could be made to work, with the TR doing some data aggregation for the authorities.
3. Regardless of which scenario evolves for South Africa, our view is that the major global challenges will be -
 - o the removal of duplicate trade legs, requiring a global system of Unique Trade Identifiers (UTIs) that still has to be defined;
 - o the timeliness of data (reporting cut-off time and time zones) for calculating positions and valuing positions; and
 - o the on-going accuracy of data, since trades would be initially reported but not utilised during the economic life-cycle of an OTC derivatives contract.

We thank the FSB for the opportunity to highlight the key areas of concern regarding the analysis contained in the Consultation Paper and we hope that you find this submission helpful. We would welcome the opportunity to discuss the contents of this submission in greater detail. Please do not hesitate to contact the undersigned in this regard.

Yours faithfully



Anthony van Eden
Strategic Projects Director