



SWIFT Response

To the Financial Stability Board
Consultation on the Feasibility
study on approaches to
aggregate OTC derivatives
data

28 February 2014

Foreword

SWIFT thanks the Board for the opportunity to respond to the Consultation on the Feasibility study on approaches to aggregate OTC derivatives data.

SWIFT is a member-owned, cooperative society headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholding Users, comprising over 2,300 financial institutions. We connect over 10,500 connected firms, across more than 210 territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides market infrastructures, banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting (including to Trade Repositories) and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

SWIFT, working with the DTCC, provides the GMEI utility service, which to date has issued over 120,000 pre-LEIs, and which was one of the original five pre-Local Operating Units (LOUs) endorsed by the global LEI Regulatory Oversight Committee (ROC) in 2013.

We thank the Board again for the opportunity to comment on the Consultation, and would welcome further discussion on the comments made overleaf, or on any aspect of the aggregation initiative on which you feel that we might be of some assistance. Please do not hesitate to contact us should you wish to discuss this further.



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Detailed Comments

Data Standardisation

SWIFT agrees with the Consultation that data standardisation is a necessary tool for the effective aggregation of the derivatives data that is required to be reported to Trade Repositories (TRs). Ideally authorities should agree on a core data set to be reported, with a view to achieving consistency in this respect across markets and geographies. Once a core data set is agreed, it is also essential that a consistent across-market approach is taken for each of the data elements within the core data set. A lack of consistency in the requirements for data elements has already occurred in the context of the Unique Transaction Identifier (UTI or USI in the US), whereby fields of different maximum lengths have been specified for TR reporting in the US and in the EU.

We further agree with the statement in the Consultation that “the most straightforward method for achieving standardisation is to implement consistent international standards for reporting data to TRs and/or from TRs to authorities”.

In this regard we would suggest that consideration be given to achieving standardisation in these data flows by leveraging processes under the ISO 20022 standard. ISO 20022 offers a common process and model for defining and structuring financial data, and an open governance process that ensures a level playing field for standardisers and users, and expert international scrutiny of submitted content.

ISO 20022 based approaches should also be considered for the following reasons:

- The major standards currently used for TR reporting – FIX, FpML, SWIFT MT – are aligned to ISO 20022 and the organisations responsible for their development collaborate at the technical level through the Standards Coordination Group and the ISO organisation itself;
- ISO 20022 is already widely adopted in the financial industry. Investment firms, central banks and market infrastructures across the world are increasingly using the standard ISO20022 is the standard used for messaging in strategic initiatives such as the Single European Payment Area (SEPA), and from 2015 in T2S, whilst Jasdec in Japan is adopting 20022 based messaging and in the U.S. the DTCC uses 20022 for asset servicing processing,
- Standards such as Fix, which is used globally for pre- trade and trading purposes, are working to align with 20022 going forward;
- ISO 20022 would be the right standardisation platform to define formally the common data elements referred to on page 35 of the consultation report (i.e. counterparty identifier, product identifier, transaction identifier etc.);
- ISO 20022 would be the best platform to drive harmonisation of reporting standards.

We are encouraged at the comment in the Consultation suggesting that the “public and private sectors can work together to agree on a common approach”. We feel that the ISO 20022 process provides the right structure under which public and private sectors can work together to deliver a common approach for the data aggregation requirements. The development of the LEI, which was achieved within the ISO framework, is a helpful precedent, and we fully support the use of LEI as the key data element in TR reporting to identify counterparties globally.

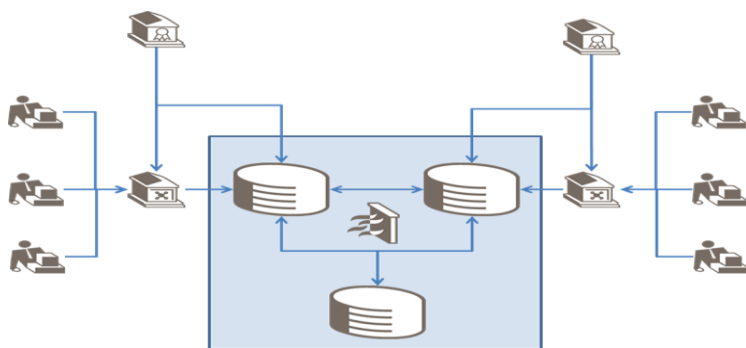
SWIFT believes that it is essential that a common approach to the structure, format and data content of the reporting required for TRs is developed, and that the ISO-based processes we have identified above can help to achieve this outcome.

Aggregation Models

We do not intend to comment in detail on the three aggregation models presented in the Consultation. Whilst in theory they could all work, implementation timeframes and legal obstacles will differ across each of the options.

Option 2 is very similar to the model currently being developed for the LEI, but the data sets contained in TR reports are more complicated than the data associated with LEI. As such the data aggregation challenges in respect of TR derivatives data are likely to make the centralised data aggregation engine more difficult to implement than for the LEI. It may well be that a phased approach beginning with Option 3 initially is the best way forward. This could be then be followed by a more centralised approach, such as Option 1.

Alternatively, a fourth option could be considered. This model would have a common agreed data structure hosted by a network of interconnected regional physical data storage centres (for example at the EU, Americas and APAC level). This model could allow management of data privacy and confidentiality at the 'local' level, whilst the different database instances running as one logical system would produce a reconciled global dataset. In very broad terms this alternative model can be represented diagrammatically in the figure below:



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