

Press release

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FSB publishes feasibility study on aggregation of OTC derivatives trade repository data and announces next steps

G20 Leaders agreed in 2009 that all over-the-counter (OTC) derivatives contracts should be reported to trade repositories, as part of their commitments to reform OTC derivatives markets in order to improve transparency, mitigate systemic risk and protect against market abuse. To date, a total of 25 trade repositories in 11 jurisdictions are either operational or have announced that they will be. Aggregation of the data being reported across these trade repositories is necessary to ensure that authorities are able to obtain a comprehensive global view of the OTC derivatives market and activity. The FSB is publishing today a study of the feasibility of various options for a mechanism to produce and share global aggregated data.

A consultative version of this report was published on 4 February 2014. The public feedback received has been taken into account in this report.¹

The report compares three basic options for aggregating OTC derivatives trade repository data: Option 1 - a physically centralised model; Option 2 - a logically centralised model; and Option 3 - the collection and aggregation by authorities themselves of raw data from trade repositories. The options are compared according to their suitability for meeting authorities' needs as data users, and the legal, data and technology considerations that they give rise to.

This report finds that aggregation Options 1 and 2 are highly preferable to Option 3 in order to ensure that authorities have access to the aggregated data that they need in order to perform their mandates and meet the G20 objectives. While Option 3 is the only one of these options that is currently available for use, it has practical limitations that allow it to meet only part of authorities' data needs, beyond protecting against market abuse.

The report recommends a number of key steps (set out in the executive summary) that should be undertaken either as part of the preparatory work before any formal project is launched to implement a global aggregation mechanism, or that will need to be undertaken

¹ The February consultative report is available at http://www.financialstabilityboard.org/publications/r_140204.htm. The public feedback is available at http://www.financialstabilityboard.org/publications/c_140416.htm.

irrespective of the particular aggregation model chosen, in order to enable effective aggregation.

The report notes that, amongst these steps, it is critical for any aggregation option that the work on standardisation and harmonisation of important data elements be completed, including through the global introduction of the Legal Entity Identifier (LEI)², and the creation of a Unique Transaction Identifier (UTI) and Unique Product Identifier (UPI). The report also indicates, in broad terms, the types of legal and regulatory changes that would be needed to allow a central mechanism to access the necessary data from trade repositories and to aggregate the data for authorities. While further work in both of these areas will be challenging, progress will be essential for a global aggregation mechanism to be effective. These steps would also provide broader benefits for the reporting and usability of trade repository data, beyond the benefits for a global aggregation mechanism.

Acting on these recommendations, the FSB:

- has asked the Committee on Payments and Market Infrastructures (CPMI)³ and the International Organization of Securities Commissions (IOSCO) to develop global guidance on harmonisation of data elements that are reported to trade repositories and are important to aggregation by authorities.
- will work with CPMI and IOSCO to provide official sector impetus and coordination for the further development and implementation of uniform global UTIs and UPIs.
- will, with the involvement of CPMI and IOSCO, study in more detail and address the legal and regulatory changes that would be needed to implement a global aggregation mechanism that would meet the range of authorities' data access needs, and the appropriate governance structure for such a mechanism.

The FSB will work with CPMI and IOSCO to develop more detailed terms of reference for these workstreams in the coming weeks.

The FSB will also initiate or coordinate additional work to address other recommendations in the report that would support a future FSB decision on the potential development of a global aggregation mechanism. That work would comprise: further study of the technological requirements for such an aggregation mechanism so as to better support a more detailed project specification; and a more detailed assessment of potential costs, beyond the initial discussion of cost drivers provided in this report. Work in these other areas will require progress first on the above-mentioned work on harmonisation and standardisation of data elements, as well as on legal and regulatory changes, and will therefore be initiated at a later date.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for

² See http://www.financialstabilityboard.org/list/fsb_pa/tid_156/index.htm and <http://www.lei.roc.org/> for information on the project to introduce a global LEI project, including status updates on its implementation.

³ The CPMI is the new name for what was, until 31 August 2014, called the Committee on Payment and Settlement Systems.

financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.