



SWIFT Response

Commodity Futures Trading
Commission

Review of Swap Data Recordkeeping
and Reporting Requirements
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Foreword

SWIFT thanks the Commodities and Futures Trading Commission for the opportunity to respond to the Review.

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, 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 Commission again for the opportunity to comment. Please do not hesitate to contact us should you wish to discuss this further.

A handwritten signature in blue ink, appearing to read "Natasha de Terán".

Natasha de Terán

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1 Detailed comments

Please find below our response to the questions that we wish to comment upon.

1.1 Question 23

How should data reported to SDRs identify trading venues such as SEFS, DCMs, QMTFs, FBOTs and any other venue?

Venues should be identified in a consistent manner, and ideally using a recognised international standard such as the Legal Entity Identifier (LEI) – ISO 17442 or the [Market Identifier Code \(MIC\) – ISO 10383](#). Of the two alternatives we would recommend that the LEI be the preferred route, the MIC only being used in instances where there is no LEI.

1.2 Question 24

In order to understand affiliate relationships and the combined positions of an affiliated group of companies, should reporting counterparties report and identify (and SDRs maintain) information regarding inter-affiliate relationships? Should that reporting be separate from, or in addition to, Level 2 reference data set forth in Commission regulation 45.6? If so, how?

The Global LEI system (GLEIS) should include relationship and hierarchy data once the full GLEIS system is in place. Affiliate information will be very useful both for the regulatory community and for the industry itself. It is critical that information is tracked and maintained up-to-date consistently, and the GLEIS system offers potentially the best way of achieving this result at the international level.

1.3 Question 50

In addition to data harmonisation, how can reporting entities and SDRs improve data quality and standardisation across all data elements and asset classes within an SDR? Please provide examples of how the presentation of data may be standardised, utilising specific data elements.

We suggest standardising the data by leveraging the processes under the ISO 20022 standard, the international financial standard, used around the globe and in many financial domains.

ISO 20022 offers (1) [a common process and model](#) for defining and structuring financial data, and (2) an [open governance process](#) that ensures a level playing field for standardisers and users, and expert scrutiny of submitted content.

(1) The common process and model approach is achieved through a methodology which is used for developing new or harmonising existing global financial standards. The methodology incorporates a four level approach, and is supported by a repository: the **Scope Level** (defining the business scope), the **Conceptual Level** (understanding the business concepts within scope), the **Logical Level** (modelling the business communications in logical terms) and the **Physical Level** (generating the physical business messages needed to perform these communications). In appendix 1 you will find a figure illustrating this methodology.

(2) The open governance process is achieved through a very strict but transparent set of procedures between multiple independent bodies: a **Registration Management Group**, a **Registration Authority**, **Working Groups**, **Standards Evaluation Groups** and a **Technical Support Group**. In appendix 2 you will find definitions for each of these groups and a figure illustrating their interactions.

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

- The major messaging standards relevant for SDR 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 Group¹ and the ISO organisation itself;
- Every industry player is welcome to submit a new Business Justification and/or new messages or business content for standardisation; in appendix 3 you will find a list of organisations having submitted such a Business Justification;
- ISO 20022 is widely used today in the financial industry: messages created using this process are already in extensive use in major market infrastructure including DTCC, Jasdec, SEPA in Europe and has been specified as mandatory standard in Target 2 and T2S; also investment firms, central banks and broker-dealers across the world are increasingly using the standard;
- ISO 20022 would be the optimal standardisation platform to improve data quality and standardisation across all data elements required for SDR reporting.

All general questions about ISO 20022 and its role in the financial industry can be addressed to iso20022ra@iso20022.org.

Further information on ISO 20022 can be found on <http://www.iso20022.org>.

1.4 Question 51

How should SDRs leverage the results of data elements harmonisation to help ensure regulatory reporting is more accurate and consistent?

In order to obtain data that can be properly aggregated and meaningfully interpreted there are two key requirements. Firstly, SDRs will need to adopt a consistent approach to data collection, based on harmonised standards covering all the data elements which must be reported. The recent FSB consultation paper: “Feasibility study on approaches to aggregate OTC derivatives data” (see answer to Q63 below) recognised the need for greater international harmonisation. Secondly there would need to be a standardised approach to report formatting, such that the reports that are submitted to and by SDRs contain all the agreed harmonised data elements. Again we would recommend using the ISO 20022 standard, as this would ensure that the data sets would be delivered to SDRs in a harmonised format, facilitating aggregation not only of SDR data, but also of SDR data with equivalent data from overseas repositories.

It would be important to align with existing market practices which cover how the standards are used at the operational level. Market practice ensures that the way in which standards are used is consistent between parties, eliminating differences in interpretation.

¹ The main industry bodies and organisations responsible for the production and maintenance of open financial market standards include: The Financial Information Services Division (FISD), FIX Protocol Limited (FPL), the International Swaps and Derivatives Association (ISDA, which develops the Financial Products Markup Language or FpML), ISITC US, SWIFT and XBRL US. All of these organisations co-operate and work together as part of the Standards Coordination Group (SCG).

1.5 Question 52

Are there additional existing swaps data standards (other than the legal entity identifier (“LEI”), unique product identifier (“UPI”) and USI) that the Commission should consider requiring as part of any effort to harmonise SDR data with both domestic and foreign regulations?

The LEI, UPI and USI are all important identifiers for the reporting process; it is crucial that there is a consistent approach to the way that these are generated, maintained and formatted across jurisdictions. The LEI is now developing into an effective global scheme; however, much work still needs to be done to finalise consistent and meaningful UPIs, and to agree a consistent format and process for the creation of USIs (or UTIs as they are known outside the United States). Above all, we believe that the priority must be to address these issues. Elsewhere, we would encourage the use of ISO data element standards wherever possible within reports – e.g. ISO date and time formats, location and currency codes.

1.6 Question 53

Please explain your experiences and any challenges associated with obtaining and maintaining an LEI. What additional steps can market participants and SDRs take to help ensure counterparties have valid LEIs?

SWIFT and DTCC jointly operate the GMEI utility which has been endorsed as a pre-Local Operating Unit (LOU) of the Global Legal Entity Identification System. The utility has been operating since 2012, and provided all of the pre-LEIs (then known as CICIs) required for the introduction of Swap Data reporting in the US. The utility now issues pre-LEIs on a global basis and is the largest contributor to the global LEI system, having issued over 130,000 codes. In conformance with the requirements of the Regulatory Oversight Committee for the GLEIS, the GMEI utility only issues pre-LEIs on request of the entity concerned; issuance is subject to a validation process to ensure both the quality of the reference data and that there is no duplication of codes. These work flows are managed efficiently and in normal circumstances there should be no reason why a pre-LEI cannot be assigned at the request of an entity within 24 hours of application (which can be done easily through a web portal). The cost for obtaining a pre-LEI is \$200 and annual maintenance is \$100. We do not believe that there is now any impediment to quickly obtaining a pre-LEI, whether that be from the GMEI utility or one of the other utilities in the GLEIS.

A future challenge lies in the annual re-certification of records that market participants will need to undertake. A consistent approach from all regulators, in ensuring that this process is completed each year, will help maintain high data quality and ensure counterparties have valid pre-LEIs. A consistent regulatory mandate for the use of pre-LEIs would help to encourage the widespread use of pre-LEIs and eliminate some of the inertia that can still be evidenced.

International regulatory coordination is also essential if trades conducted with third country counterparties are reported with valid pre-LEIs. The value of LEIs at the operational level will, over time, become a driver for greater LEI coverage and usage, but initially the impetus may need to come from regulatory requirements.

1.7 Question 62

How can the Commission best aggregate data across multiple trade repositories (including registered SDRs)?

For the data in SDRs to be aggregated effectively, data and reporting format standardisation is needed. The core data set required to be reported must be clear, and it is essential that a consistent approach is taken across geographies for each of the data elements within the core data set. Standardisation both of the data elements and of the formats in which the elements are delivered are needed if aggregation is to

be achieved. We have suggested in our answer to **question 50** a methodology for achieving this consistency using ISO 20022.

1.8 Question 63

What international regulatory coordination would be necessary to facilitate such data aggregation?

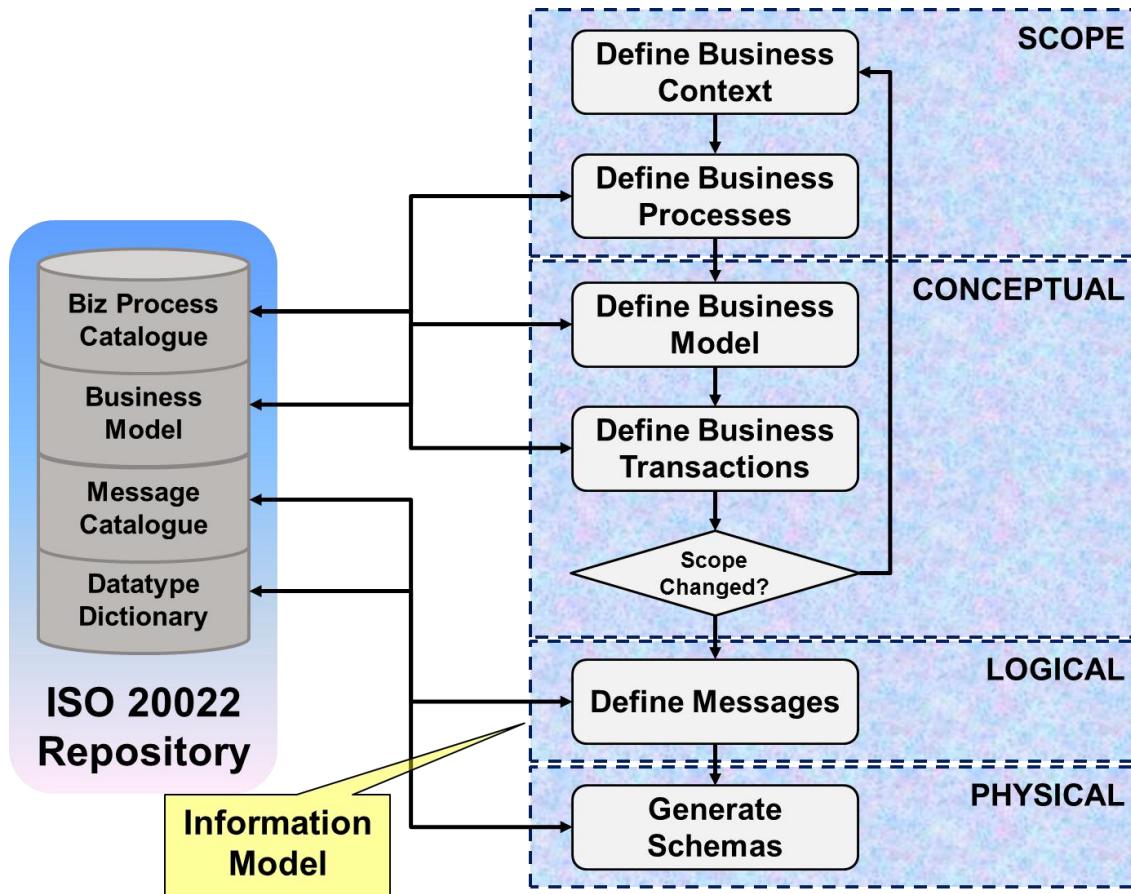
The Financial Stability Board (FSB) recognised in their recent [consultation](#) on reporting to SDRs and Trade Repositories (TRs) that “the most straightforward method for achieving standardisation is to implement consistent international standards for reporting data to TRs and/or from TRs to authorities”.

International coordination on standards could be improved. For instance, there is a lack of consistency in the requirements for the Unique Transaction Identifier (UTI or USI in the US), with the EU and US each specifying fields of different maximum lengths. International agreement on the core data sets, the standards to be used for the associated data elements, and the format in which those data elements can be delivered are *all* required if the aggregation of reported data within and across markets is to have any chance of achieving a meaningful result.

SWIFT would be willing to engage further with CFTC, FSB etc. on the standards tools we have mentioned, such as ISO 20022. The aim of such engagement would be to provide practical guidance as to how in the context of international agreement between regulatory authorities on reporting, such standards may be leveraged. With increasing cross border trading and associated exposures, cross border data aggregation based on a standardised approach will be vital if a meaningful picture is to be constructed across different jurisdictions.

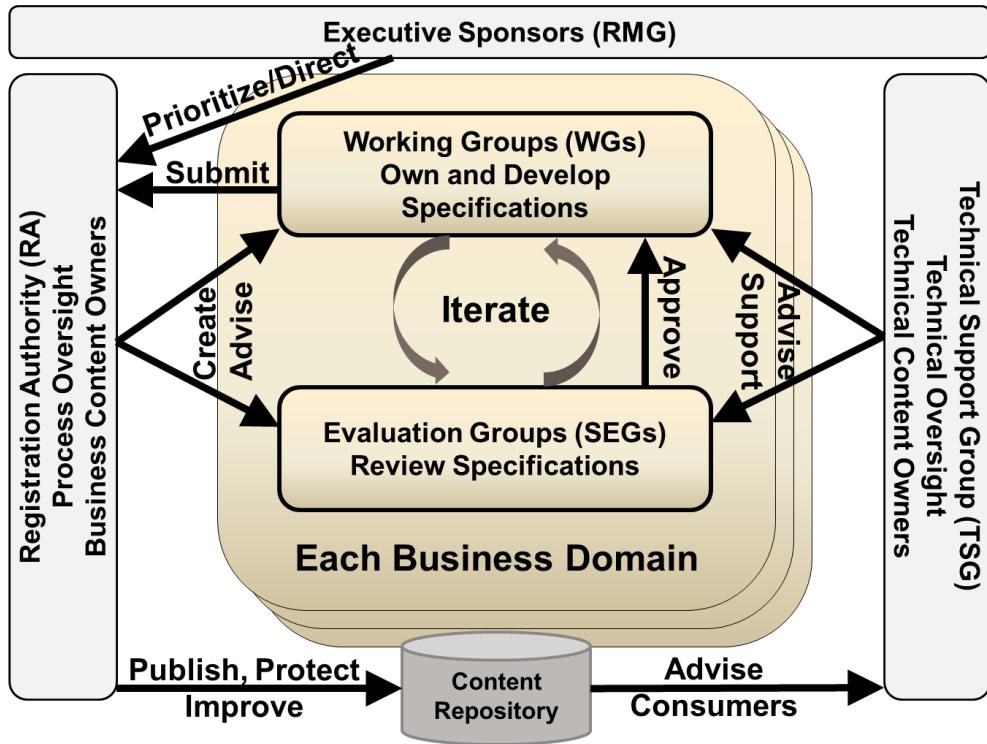
2 Appendix 1

Figure 1: The ISO 20022 Methodology and Content



3 Appendix 2

Figure 2: The ISO 20022 governance structure and responsibilities



Registration Management Group (RMG): The RMG has executive sponsorship, needs to prioritise according to the strategy and supports dispute resolution.

Registration Authority (RA): The RA looks after the process (consistent application of methodology, enforcement, focus on cross-domain harmonization, etc.), and looks after the content (with content experts, communication, education, alignment with other ISO Industry content, etc.).

Working Groups (WG): There is one WG per expert domain, comprised of domain-specific business experts, which is responsible for owning the specification from a business perspective. The WG will draft and maintain the standards, and coordinate with SEG (see next) to defend and improve the specification.

Standards Evaluation Groups (SEG): There is one SEG per expert domain, comprised of senior business experts appointed to this role. The SEG reviews the specification, provides feedback to the WG, ensures edge cases are covered and iterates with the WG until specification is complete.

Technical Support Group (TSG): This group is comprised of technical experts in the target deployment architecture. The TSG supports the WGs and SEGs as required throughout the entire development and review cycle, and ensure that the resulting business specifications are actually implementable. They also support the RA, ensure a technical review of draft specifications and provide tools support around the content. Finally they support implementers of the specifications to consume and implement from the repository.

4 Appendix 3

List of ISO 20022 Business Justification submitters:

- ISDA/FPML
- UN/CEFACT
- ISITC
- CLS
- Federation of Finish Financial Services
- FIX Protocol Limited (FPL)
- National Bank of Belgium (for 7 Central Banks)
- China UnionPay
- Clearstream
- Euroclear
- EPASOrg
- OMGEO
- French SWIFT User Group
- 4CB (Central banks of Germany, France, Spain and Italy)
- Berlin Group
- CBI
- ANBIMA
- ASF
- ISOTC68/SC4/TGI
- SWIFT
- IFX
- OAGI
- TWIST