SWIFT Response to
CPMI-IOSCO's Consultative
Report on the Harmonisation of
critical OTC derivatives data
elements (other than UTI and
UPI) – third batch.

30 August 2017

SWIFT thanks CPMI-IOSCO for the opportunity to provide comments on the Consultative Report on the "Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – third batch".

SWIFT is a member-owned cooperative headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholders, comprising over 2,000 financial institutions. We connect more than 11,000 connected firms, in more than 200 countries and territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides 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.

If you wish to discuss any aspect of our response please do not hesitate to let us know.

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SWIFT's general comments:

SWIFT strongly supports the work being carried out by CPMI-IOSCO to harmonise critical OTC derivatives data elements. This harmonisation is essential to ensure the globally consistent and meaningful aggregation of data on OTC derivatives transactions.

The current consultative report on the third batch of critical OTC derivatives data elements (other than UTI and UPI) refers to data elements that are available in the ISO 20022 standard. SWIFT welcomes this because the ISO 20022 standard is being embraced by supervisors across the world as a preferred format for data reporting purposes. The data model which lies at the heart of the standard is the ideal reference point to help regulators, market overseers and reporting firms to harvest, aggregate and interpret data which is unambiguous, clear and equivalent, irrespective of its source. ISO 20022 is particularly appropriate for use in regulatory initiatives because it is an open and transparently-governed standard that is platform-neutral, and free to access, implement, and extend. It provides a universally-agreed language that can be shared by business, legal, and technical experts, greatly simplifying the interpretation and implementation of any regulation defined in that language.

Reporting requirements that reference ISO 20022's business concept and business process definitions allow implementers to easily understand the context in which the regulation is applicable, as well as its detailed data specifications. The rigour and precision of the definitions found in the ISO 20022 business model make it a particularly suitable resource to ensure that data elements specified in a regulatory reporting context are interpreted consistently by implementers. In addition, once the data elements for a business process have been identified, it is straightforward to create a message definition that can be used to transport the data. Furthermore, it is possible to distinguish between common definitions that are relevant to all markets, or that are only relevant in regional or specific national contexts. This facilitates tailored reporting at regional or national level, whilst also allowing data to be aggregated internationally where ISO 20022 is in use.

In terms of the harmonisation work underway, SWIFT would like to highlight two of the critical OTC derivatives data elements included in the third batch for additional comment. First, the Boolean 'true-false' indicator is known to be clearly preferred by the industry over the use of 'Y / N' allowable values in many implementations of xml syntax, although in ISO 20022 both are available, equally valid, and potentially acceptable. We therefore recommend replacing all data elements (specified in sections: 2.1; 2.3; 2.29; 2.31; 2.32; 2.36, and 2.65) that currently propose the use of 'Y/N' with the Boolean 'true-false' indicator.

The second element requiring attention relates to the currency. In ISO 20022, amount elements always include a currency code as it is not acceptable to specify a monetary amount without specifying the corresponding currency. There is therefore no need to add an element for currency without an amount, and to do so might create confusion in the industry.

Q2: The purpose of the data element "Initial margin settlement timing" (Section 2.10) is to allow authorities to better understand the difference between "Initial margin required to be posted by the reporting counterparty" (Section 2.17) and the "Initial margin posted by the reporting counterparty" (Section 2.5) as this difference may be due to the timing of when the required margin is determined and when the margin is posted. In the absence of information on the margin settlement timing, the difference in the margin required and margin posted amounts could be interpreted as over- or under-collateralisation. Information on the settlement timing of margin collected would serve the same purpose for global aggregation of initial margin collected (Sections 2.8 and 2.19).

a) Are there challenges linked to the data element "Initial margin settlement timing" as defined above? Is there an alternative, more effective, way to represent this information, such as the date on which the initial margin posted (or collected) has been settled?

b) How prevalent is the existence of different settlement timings (T+0,T+1, T+2, T+3) within a given jurisdiction? Would the settlement timing for the initial margin posted different from the one for initial margins collected?

SWIFT agrees that the precise date and time both of the determination of the initial margin and its subsequent posting should be clearly stated. With reference to question 2a, SWIFT believes that an alternative way of representing this information should be considered. ISO 20022 separates the definition of core business concepts such as 'settlement date' from the context in which they are used. These definitions are known as 'business elements'. Additional qualifying information such as '*planned* settlement date' or '*actual* settlement date' could also be added when the concept is referenced in a message specification. These definitions are known as 'message elements'. This convention allows a clear set of business definitions to be provided that is not affected by implementation concerns, and we recommend it be used in this case.

Q6: With reference to the data element "Price" (Section 2.37), are there OTC derivative products where the price or a concept of price is not captured under the "Price" data element or any other data element including "Fixed rate", "Spread", "Strike price", "Option premium" and "Other payment type (upfront payment)"? If so, please provide detailed examples of those products. Would the industry benefit from additional guidance for the "Price" data element?

For the sake of consistency and clarity, SWIFT proposes an alternative solution in preference to simply adding new data elements to messages. In the ISO 20022 business model the price data element is always clearly linked to the instrument it refers to, and it can include additional attributes – such as "spread" etc – ensuring that the price data can be expressed and understood accurately in all contexts.

Q7: With reference to the data element "Price notation" (Section 2.40), is it clear and unambiguous which price notation (amount or percentage) should be applicable to each price? If not, which ones? Are there additional price notations that should be allowed? If so, which ones? Would the industry benefit from additional guidance for the "price notation" data element?

With reference to the first part of question 7, the notation that applies to each price is indeed clear. ISO 20022 includes a mechanism to represent this distinction formally which may be helpful. In securities operations the industry uses the data element "Price notation", which is defined in ISO 20022 as a message element linked to the instrument type – see our response to Question 6. This element's data definition indicates a choice between amount or percentage, which makes the price notation clear and unambiguous. We believe that ISO 20022 caters for all relevant price notations.

Q9: With reference to the data element "Spread notation" (Section 2.45), is it clear and unambiguous which notation (amount or percentage) should be applicable to each spread? If not, which ones? Are there additional spread notations that should be allowed? If so, which ones? Would the industry benefit from additional guidance for the "spread notation" data element?

Please refer to our response to Question 7.

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