Global Foreign Exchange Division
39th Floor
25 Canada Square
London
E14 5LQ

Amir Zaidi
Director
Division of Market Oversight
US Commodity Futures Trading Commission (CFTC)
Three Lafayette Centre
1155 21st Street NW
Washington, DW 20581
USA

21 August 2017

Re: Review of Swap Reporting Rules in Parts 43, 45 and 49 of Commission Regulations

Dear Mr Zaidi

The Global Foreign Exchange Division (GFXD) of the Global Financial Markets Association (GFMA) welcomes the opportunity to provide feedback on the CFTC's Review of Swap Reporting Rules in Parts 43, 45 and 49 of the Commission Regulations and the Roadmap to Achieve High Quality Swaps Data released on 10 July 2017.

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants,[1] collectively representing over 80% of the FX inter-dealer market.[2] Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

[1] Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, Nomura, RBC, RBS, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

[2] According to Euromoney league tables.

Introduction

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. Many of the current legislative and regulatory reforms have had, and will continue to have, a significant impact upon the operation of the global FX market, and the GFXD wishes to emphasise the desire of our members for globally co-ordinated regulation which we believe will be of benefit to both regulators and market participants alike.

We set out below what we believe should be the key objectives and considerations for this review, then note how these may be specifically applied to the CFTC's roadmap. We look forward to providing further input during the subsequent consultative period.

****

Executive Summary

Data reporting by market participants should be considered in the context of a global, cross-border market and we encourage the CFTC to consider this when proposing any changes to the existing requirements.

We commend the CFTC's commitment to build on the CPMI-IOSCO process in harmonising data fields with other regulators. We propose that a subset of these are established as a common data set of fields, to be the core of all reporting requirements, using the explicitly defined CPMI-IOSCO standards, in order to increase data quality.

We suggest that the Roadmap timeline is amended to allow for the publication of the CPMI-IOSCO Guidance before any review work is undertaken, and further that the timelines of Tranches 1 and 2 should overlap to allow each to inform the other.

We support the suggestions in the Roadmap that the existing reporting processes and workflows should be reviewed for potential efficiencies, for example reducing the number of reports required and removing the requirement to attach a copy of the confirmation.

We agree with the suggestion that the CFTC should review its reporting deadlines in order to harmonise with other jurisdictions and assist market participants in providing complete, high-quality reports.

The Global Reporting Context

FX by nature is a cross-border market; as reported by the BIS in their 2016 Triennial Central Bank survey[3], 65% of transactions are executed on a cross border basis.

[3] http://www.bis.org/publ/rpfx16.htm

The GFXD has performed an analysis (see Annex I) which demonstrates the multiple reporting obligations faced by the industry in complying with the Commission Regulations in the US, and EMIR, MiFIR and MiFID II[4] in Europe. We identify that an eligible trade could be required to be reported up to 14 separate times (noting that this could increase if that trade has an Asia nexus too). We have also identified the reportable 'risk' fields for FX trades; again it is clear that these too are duplicated across each of those reporting obligations and not standardised in exact format and content.

Given this multiplicity of reporting obligations, it is important that any eventual revisions to the CFTC's reporting framework are considered in the context of an international market.

We believe that there are significant benefits to be gained for regulators and market participants globally in streamlining the relevant requirements. For instance, the complex and often overlapping regulations are extremely costly to build for and maintain, both for market participants and for regulators. In 2015, Sapient[5] estimated that complying with the Commission Regulations in the US and EMIR in the EU reporting regulations cost firms $25 million on average, part of the cost being attributed to the difficulty of implementing a single business-wide solution to account for both regulations. With numerous other reporting regulations now in force globally, the costs for market participants continue to increase.

Global Harmonisation of Reporting Data

A key challenge for global market participants and regulators is that the data that is currently reported across regulations and jurisdictions is not consistent or explicitly defined, making it extremely difficult for regulators to aggregate and interpret. This ranges from the fundamental (e.g. differences between regulations as to what constitutes a reportable event) to the detailed (e.g. the precise format of each data field). The latter is particularly challenging for market participants, who must interpret each set of requirements, resulting in data sets that are inconsistent, sometimes even down to how the same trade is represented by each counterparty.

In some jurisdictions, efforts have been made to standardise data sets at the trade repository level. This is not a satisfactory solution as it adds cost and process when the problem could be solved at a regulatory level with explicit, globally harmonised requirements.

Therefore, following on from our response[6] to the CFTC's consultation on swap data elements, we continue to strongly support the CFTC's commitment to work through and build on the CPMI-IOSCO[7] data harmonisation programme. Where data standards can be harmonised on a global level, trades can be reported to multiple regulators in the same format, which reduces the burden on market participants. Data sets can then be more easily combined and aggregated amongst regulators, allowing them to better oversee trading practices, including cross-border transactions, market transparency and counterparty exposures.

[4] EU Regulations 648/2012 (EMIR), 600/2014 (MiFIR) and 2014/65 (MiFID II)

[5] http://www.sapient.com/content/dam/sapient/sapientglobalmarkets/pdf/thought-leadership/Crossings_Spring2015_TradeReport.pdf

[6] http://www.gfma.org/correspondence/item.aspx?id=786

[7] The Committee on Payments and Market Infrastructures (CPMI) and International Organisation of Securities Commission (IOSCO). A number of consultations have been issued, of which the most recent is available here https://www.iosco.org/library/pubdocs/pdf/IOSCOPD565.pdf

For example, the current conflicting set of global standards for trade identifiers illustrates how a lack of harmonisation for the same data element creates challenges. In the US, only a Unique Swap Identifier (USI) construct can be used, as outlined in Part 45.5. A USI can only be generated by an entity registered with the CFTC, as its structure requires the use of an alphanumeric code (namespace) provided by the CFTC to registered entities. In Europe, for EMIR reporting, a Trade ID must be used, which can be either a USI or an identifier generated in accordance with EU rules. Some jurisdictions in AsiaPac are now looking to implement a regional identifier, using the construct suggested by CPMI-IOSCO.

In the context of this review, we encourage the CFTC to work with other regional regulators and CPMI-IOSCO as follows:

1. To agree explicit definitions, formats and allowable values for all the data fields as identified by CPMI-IOSCO. This will involve a commitment from regulators, including the CFTC, that they will adhere to the CPMI-IOSCO Guidance that is due to be published in early 2018 whenever they require any of these data elements in their reporting rules.

2. To take from that Guidance a subset of fields to form a 'common data' set of reportable fields for derivative transactions. In order to produce a comprehensive set of guidelines, CPMI-IOSCO have consulted on the definition and format of well over 100 individual data fields. This far exceeds the needs of most regulators in their aims of risk oversight and detection of market abuse, and includes many fields that are only applicable in certain situations or to certain transactions. If regulators can agree a subset of these fields to be used across jurisdictions as a single 'common data set' for each reporting requirement, it will allow market participants to streamline their reporting and provide a data set that can easily be aggregated cross-border for effective market oversight. We encourage the CFTC to involve the industry in this process and are ready to provide further input.

   We note that this will require careful consideration of which fields are applicable to different asset classes, according to the characteristics of individual instruments and how they are traded in the market. For example, the latest CPMI-IOSCO consultation[8] contains many different fields relating to the 'price' of a transaction and attempts to distinguish which will be applicable to different asset classes. It is more useful to mandate the 'exchange rate' field for a FX forward or the 'premium' field for FX option, than to have a single 'price' field with many allowable formats and values, as this may lead to different interpretations by market participants or inaccurate data due to a lack of stringent validation rules.

3. To ensure that, where the CFTC does require additional data beyond the global common data set, these fields are carefully considered and in line with CPMI-IOSCO where possible. We understand that there will be instances where the CFTC specifies additional fields for reporting that are not in line with other regulators. Where these have been standardised by CPMI-IOSCO, that Guidance, should be used. Where these fields are CFTC-specific, we request that they are carefully chosen to add value without creating additional burden on market participants, and are only those necessary for meeting the CFTC's statutory aims. This would also be an important area for market consultation.

[8] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD565.pdf

Finally, we encourage the CFTC to consider where there are opportunities to leverage other existing processes or data sets to improve global reporting. For instance, we suggest that the global Legal Entity Identifier (LEI) framework should be developed as a central repository to improve overall data quality. Each reporting party has to gather and report a certain amount of data regarding each of its trading counterparties to meet various reporting obligations, for example their country of origin and status in relation to individual legislation, e.g., swap dealer.

As a global database of entities, the LEI framework has the potential to be developed to store a common data set of basic counterparty information, incorporating these elements. Increasing the data elements linked to the LEI would allow the number of reportable fields to be reduced without impacting regulatory oversight, and would also reduce discrepancies between reports, with each entity responsible for maintaining their own data.

We now turn to comments on the specific proposals within the CFTC's Roadmap.

****

DMO ROADMAP TO COMPLETE REVIEW (PAGE 4)

With regard to the timeline laid out on page 4 of the CFTC Roadmap, we suggest two main revisions. Firstly, we strongly suggest that the 'Harmonising Data Elements' project, including adoption of CPMI-IOSCO Guidance, is completed before work begins on Tranches 1 & 2 of the Review. As outlined above, adoption of a globally consistent, explicitly defined common data set will improve the quality of data reported, by eliminating interpretation of requirements by reporting parties and allowing better aggregation of data cross-border. It will therefore greatly inform the work that remains to be done under Tranches 1 & 2, for example the SDR validation rules, or the combination of Primary Economic Terms (PET) and confirmation data.

Secondly, we request that the timelines for Tranches 1 and 2 occur concurrently or with some significant overlap. The two projects are inextricably linked – for instance, validation rules and processes for rejection of incomplete/incorrect data (Tranche 1) cannot be set unless the required reports and their contents have also been agreed upon (Tranche 2). Finalising one before the other could impose unnecessary limitation on the second project, or risk revisions being required to the first after the second is complete.

TRANCHE 1: REVIEW OF SDR OPERATIONS (PAGES 5-6)

Data Validation

The GFXD notes that the CFTC is considering minimum validations and processes for rejecting swap data reports with missing or invalid data. In general, the GFXD would be supportive of this approach, it can be expected to increase the quality of report submissions. However, we suggest that validations should be considered only after globally consistent and explicitly defined data requirements have been adopted, in line with the CPMI-IOSCO work where possible. This approach should also allow the same validation rules to be used (subject to individual regulatory requirements) by trade repositories in other jurisdictions, further standardising the global data set. We also request that the industry is consulted on these validations, as well as the SDRs themselves.

We also encourage the CFTC to ensure that validations are implemented in line with current industry processes and standards. For instance, the definitions used by the FX industry for trading and processing of FX derivatives are those in ISDA's 1998 FX and Currency Option Definitions. These are mirrored in Financial Products Markup Language (FpML)[9] , which is a recognised industry standard, and is widely used in the global FX market. In proposing any rule changes, the CFTC should consider the industry's use of and reliance on FpML, which requires mapping of individual fields and data elements, and should not introduce or endorse any requirements that would result in one deviating from the other. Any other reporting formats (i.e. not FpML) should also be accommodated in any standards, in order to accommodate the diverse and technically varied participants in the global FX market.

Counterparty Confirmation of Data Accuracy

As noted in a joint association paper[10] on improving trade reporting under EMIR, "trade reporting is not, and should not be, a means by which parties agree to the terms of their transactions. Execution methods and confirmation processes, which are well-established and legally binding, serve this role."

In the US, confirmation of the accuracy of a firm's trade data achieved firstly by trade confirmation, which is required under Part 23.501 to take place no later than T+1 and secondly by portfolio reconciliation, which is required under Part 23.502, at a frequency determined by the number of swaps in their portfolio. If there are discrepancies between the representation of a trade by the counterparties, that would be discovered through one of these requirements, and addressed according to an agreed dispute resolution process.

Counterparty confirmation of data accuracy would also be assisted by greater use of validation rules at SDR level. Therefore, as stated above, we suggest that the timelines of Traches 1 and 2 are revised to allow the reviews of these processes to inform each other.

TRANCHE 2: REVIEW REPORTING WORKFLOWS (PAGES 7-11)

Streamline Workflows

Currently, the various reporting requirements under the Commission Regulations may result in three separate messages from a reporting party to a Swap Data Repository (SDR): real-time, confirmation and Primary Economic Terms (PET). Maintaining three separate message types is an operational challenge for firms, and we therefore welcome the CFTC's proposal to explore whether these reports can be combined or streamlined. This should be done in conjunction with the identification of a common, explicitly defined data set, as outlined above, as this may in itself reduce the duplication of reporting across individual CFTC requirements.

In particular, we request that the CFTC reviews the requirement under Part 45.3 to send confirmation data. The regulatory reporting requirements of Part 45 and the public reporting requirements of Part 43 are intended to provide sufficient information, in a standardized format, to achieve Dodd Frank's objectives of systemic risk mitigation, market abuse prevention and price discovery/transparency[11]. If PET and real-time data fields are

[9] http://www.fpml.org/

[10] http://www.gfma.org/correspondence/item.aspx?id=802

[11] See 77 Fed. Reg. 2136, 2142 (Jan. 13, 2014) (stating the objectives of Part 45's PET reporting requirements); 77 Fed. Reg. 1182, 1185 (Jan. 9, 2012) (stating the objectives of Part 43's public reporting requirements).

sufficient for these purposes, as intended, it is unclear what additional value is added by also requiring confirmation data. We suggest, that this requirement is replaced by other fields denoting the confirmation of the trade, for example the field suggested in the second CPMI-IOSCO data harmonisation consultation (2.5 'Confirmed')[12].

Focus on Key Data Fields

The CFTC introduced a significant number of new data fields in its 2015 Technical Specifications, as referenced in the Roadmap. The introduction of new fields to reporting rules requires a significant investment from market participants, particularly smaller counterparties. This is compounded when these fields differ significantly from those required in other jurisdictions. We therefore support the CFTC's suggestion that it will seek to reduce the number of fields reported, and encourage the CFTC to work with other regulators to define a global common data set, as described above.

Technical Specification

We support the CFTC's proposal, and in particular to take into account both the forthcoming CPMI-IOSCO data standards and the existing data languages used by the industry. The CPMI-IOSCO work covers a very broad range of data elements and is detailed with regards field format and allowable values. We encourage the CFTC to work within these standards to meet its needs, as this will use the globally harmonised standards to maximum benefit.

Re-evaulate Reporting Deadlines under Part 45

As outlined in Annex 1, cross-border trades can be subject to numerous different reporting obligations, with different data required to be sent to different recipients according to different timelines. In particular, we note that under Part 45, trade data is required to be reported to a SDR within 30 minutes of execution. This is an exceptionally short timeframe, especially when considered against other jurisdictions, for example T+1 under EMIR[13], or T+2 under the reporting rules of Hong Kong[14].

It can be extremely challenging to obtain all the required data, to a sufficiently high degree of accuracy, within 30 minutes of execution. The difficulties are exacerbated when the counterparty to the trade is outside the US, who may not even have confirmed the trade within the 30-minute deadline. This can lead to parties submitting a trade report as soon as possible after execution, then amending it over a short period, as trade details are confirmed. From a regulatory perspective, this makes the data more challenging to interpret, as at any given time, a proportion of the recently submitted trade reports will not contain the final trade details.

We therefore encourage the CFTC to consider reviewing its reporting timelines in the global reporting context. As noted above, 65% of FX transactions are executed cross-border, meaning that a large proportion of those

[12] Committee on Payments and Market Infrastructures (CPMI) and International Organisation of Securities Commission (IOSCO). Consultation available at http://www.bis.org/cpmi/publ/d153.pdf. See also the GFXD response to that consultation, specifically our comments on that data element - page 5 of http://www.gfma.org/correspondence/item.aspx?id=862

[13] EMIR Article 9(1)

[14] Securities and Futures (OTC Derivative Transactions—Reporting and Record Keeping Obligations) Rules, Part 1, Section 24(1)

trades reported to the CFTC either require data from outside the US, or will also subject to other non-US reporting obligations.

Increase the Utility of the Real-Time Public Tape

We encourage the CFTC to use the global common data set, referenced above, to define the real-time reporting requirements under Part 43 as well as the swap data reporting requirements under Part 45. However, the fields required under Part 43 should still be a subset, limited to those fields which are necessary for transparency price discovery, in line with Part 43.1(a).

We request that the "ongoing issues" listed on page 11 are considered in light of real-time reporting obligations in other jurisdictions such as Europe and the CPMI-IOSCO standards. For example, a harmonised approach to the reporting of packages, allocations etc. would greatly assist participants in a cross-border market.

****

We appreciate the opportunity to share our views on this subject and look forward to participating in the subsequent consultative phases of this review. Please do not hesitate to contact Andrew Harvey on +44 (0) 203 828 2694, email aharvey@gfma.org, or Fiona Willis on +44 (0) 203 828 2739, email fwillis@gfma.org, should you wish to discuss any of the above.

Yours sincerely

James Kemp
Managing Director
Global Foreign Exchange Division, GFMA

Annex 1: EU/US Transparency and Reporting Obligations: Bilateral/SI **DRAFT** 18/07/2017

Timing	Continuous	Pre-Trade (Continuous)				ASATP	< 15min	ASATP < 30min	30min	<21.00 CET	< T+1			T+2 / 4wk	Quarterly	Annual
Data Capture	Costs and Charges	Indicative Quote		Firm Quote	Pre-Trade Mid	All Trade Details (US)	Price, Time and Volume (EU)			Instrument Data	All Trade Details (EU)					

REPORT

Dossier	MiFID 2 Art 24	MiFIR Art 18			DFA Part 23	DFA Part 43	MiFIR Art 21	DFA Part 45
L2 (MiFID/R)	DA Apr16 Art 50	RTS 2					RTS 2	
Name/Scope	Investor Protection (1)	Pre-Trade	Pre-Trade	Pre-Trade	Disclosures of Material Information	Real-Time Public Reporting	Post Trade	Swap Data Reporting
Scope/Notes		Liquid <SSTI	Liquid <SSTI Art 18(5)	Illiquid < SSTI Art 18(2)	* All NDFs, NDOs and exotic options * Fwds and swaps: if cpty agrees, and real time pricing is available, it only applies to fwds and swaps in BIS top 31 ccys >1yr * Vanilla options: if cpty agrees, and real time pricing is available, it only applies to vanilla options in BIS top 31 ccys >6mnths	NDF and options <block size	If no deferral granted	
Recipient	Client	Public via RM/APA/ proprietary means	Other clients	Clients (on request)	Counterparty (only when cpty is not SD, MSP, SBSD or MSBSP)	Public via TR	Public via APA	TR
Content	Costs and Charges (incl information on investment and ancilliary services, the cost of advice, the cost of the financial instrument and how the client may pay for it, and any third party payments)	Firm Quote (Fields TBD)	Firm Quote (Fields TBD)	Firm Quote (Fields TBD)	Pre-Trade Mid	Transaction and Pricing Data	Price, Time and Volume	Confirmation Data and PET
Price/Quote	N/A	Yes (All in)	Yes (All in)	Yes (All in)	Mid Mark (Trader)	Yes (All in)	Yes (All in)	Yes (All in)
Currency		?	?	?		Yes	Yes	Yes
Notional		?	?	?		Yes, rounded	Yes	Yes
Reporter ID							Yes	Yes
Cpty ID								Yes
Product ID		?	?	?		Yes	Yes	Yes
Buy/Sell								Yes
Timestamp						Yes	Yes	Yes

Dossier	DFA Part 43	MiFID Art 27	MiFIR Art 26	EMIR Art 9	MiFID 2 Art 25	MiFIR Art 21	MiFID 2 Art 27	MiFID 2 Art 27
L2 (MiFID/R)		RTS 23	RTS 22		DA Apr16 Art 59	RTS 2	RTS 27	RTS 28
Name/Scope	Real-Time Public Reporting	Reference Data	Transaction Report	Trade Report	Investor Protection (2)	Post Trade	Best Ex	Best Ex
Scope/Notes	NDF and options >block size					If granted deferral		
Recipient	Public via TR	NCA	NCA	TR	Client	Public via APA	Public via website	Public via website
Content	Transaction and Pricing Data	All Instruments Traded/Admitted to Trading (incl. Quotes and Orders)	Trade Details (65 Fields)	Trade Details (85 Fields)	Details concerning the order	Price and Time OR Aggregated Data	Best Ex Venues, Instruments, Price, Cost, Likelihood of Execution, Extra RFQ Information	Top 5 Venues
Price/Quote	Yes (All in)		Yes (All in)	Yes (All in)	Yes	Yes (All in)	Yes (All in)	N/A
Currency	Yes	Yes	Yes	Yes	Yes	Yes/Yes	Yes	
Notional	Yes, capped	Yes	Yes	Yes	Yes	No/Aggregated	Yes	Yes - % of Total
Reporter ID			Yes	Yes	Yes	Yes	Yes	Yes
Cpty ID			Yes	Yes	Yes			
Product ID	Yes	Yes	Yes	Yes	Yes	Yes/Yes	Yes	Yes
Buy/Sell			Yes	Yes	Yes			
Timestamp	Yes		Yes	Yes	Yes	Yes/No	Yes	