



NEWS RELEASE
For Immediate Release

Industry Associations Recommend Global Adoption of Entity-Based Reporting

TOKYO, April 13, 2016 – The International Swaps and Derivatives Association, Inc. (ISDA) has today published a paper, in partnership with 12 other trade associations, which recommends an entity-based approach to derivatives trade reporting in a bid to cut costs and complexity for end users.

The paper is released as ISDA begins its 31st Annual General Meeting in Tokyo. It argues that global adoption of an entity-based reporting framework – where sole responsibility for reporting is assigned to one counterparty via an automated hierarchy process – would help promote greater consistency in reporting standards and would lead to improvements in data quality.

The entity-based approach would also significantly reduce the operational complexity associated with current reporting requirements, cut costs, and eliminate the reporting burden on end users. In Europe, for example, the aggregate expenditure for end users that have implemented the dual-reporting framework is estimated to be in excess of €100 million.

The associations that have published the paper alongside ISDA are: the Alternative Investment Management Association, the Association of Corporate Treasurers, the Australian Financial Markets Association, the US Chamber of Commerce’s Center for Capital Markets Competitiveness, the Coalition for Derivatives End-Users, the Global FX Division of the Global Financial Markets Association, ICI Global, the Investment Association, Managed Funds Association, the US National Association of Manufacturers, the Securities Industry and Financial Markets Association’s Asset Management Group, and Pensions Europe.

Trade reporting is a key element of the derivatives market reforms agreed by the Group-of-20 (G-20) nations in 2009. Mandatory reporting regimes are now in place in most financial centers, but a lack of consistency in the reporting rules between jurisdictions and variations in data reporting formats have hampered the ability of regulators to aggregate exposures and spot possible systemic risks – a key objective of the G-20 derivatives reforms.

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Some jurisdictions have opted for dual-sided reporting, with the rationale that requiring both parties to a trade to report will improve the quality of the data. In reality, pairing rates at trade repositories used in dual-sided regimes are around 60%, well below confirmation execution rates using existing confirmation processes. A streamlined, globally consistent entity-based reporting framework would help improve the quality and accuracy of reported data, the paper argues.

“Effective data reporting is absolutely essential to the derivatives reform program set out by regulators. ISDA and its partner associations believe that a workable, globally harmonized reporting system can only be achieved through the broad adoption of an entity-based framework,” says Scott O’Malia, ISDA’s Chief Executive.

The paper recommends the following steps:

- **An entity-based reporting framework should be adopted across jurisdictions**
Dual-sided reporting is complex, costly, and has not provided demonstrably improved levels of data quality. An entity-based reporting framework, where sole reporting responsibility is assigned to one counterparty (typically a dealer or central counterparty), can provide the requisite level of trade information and reduce burdens on derivatives end users.
- **Existing processes, and not dual-sided reporting, should be used to identify mismatches in trade terms**
Execution and confirmation processes already serve an established and legally binding role in rooting out discrepancies in trade terms. Using trade reporting for this process is unnecessary, ineffective, and adds further complexity to the process.
- **A tie-breaker methodology for determining the responsible reporting party should be implemented consistently**
The associations believe that the reporting entity and unique trade identifier generating party for any specific trade can be successfully determined by application of a reporting party hierarchy and ‘tie-breaker logic’. ISDA has developed an industry-agreed tie-breaker logic that is specific to each individual asset class. A dealer will always be the reporting entity when transacting with a non-dealer counterparty, and two dealers will apply the tie-breaker logic to determine which firm will act as the reporting party when executing a trade between themselves.
- **Legal responsibility for non-reporting counterparties to verify trade reports should be removed**
Some jurisdictions that assign reporting responsibility to one counterparty still require the non-reporting counterparty to verify the accuracy of the data, supplement the data or provide information associated with the trade, such as whether it is required to report or not. This is dual-sided reporting in disguise, and places unnecessary cost burdens on end users.

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- **Greater focus should be placed on global data harmonization efforts**
Entity-based reporting can only be fully successful within a global, fully harmonized reporting system. Global regulators should align their reporting rules, and data fields should be based on existing market practices. Data harmonization should be led by CPMI-IOSCO to ensure global consistency.

The entity-based reporting paper can be found on the ISDA website, [under the 'Reporting' segment](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

Information about ISDA and its activities is available on the Association's website:

www.isda.org.

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