

Committee on
Payments and Market
Infrastructures

Board of the International
Organization of Securities
Commissions

Consultative report

Governance
arrangements for critical
OTC derivatives data
elements (other than UTI
and UPI)

August 2018

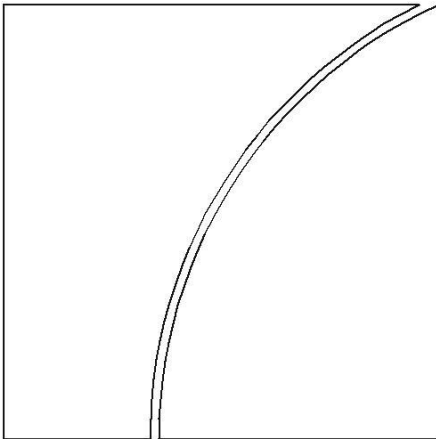
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OICU-IOSCO



Maintenance and governance arrangements for critical OTC derivatives data elements (other than UTI and UPI) – consultative report

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General comments on the report:

The International Swaps and Derivatives Association, Inc. (“ISDA”) appreciates the opportunity to provide the Committee on Payments and Market Infrastructures (“CPMI”) and the International Organization of Securities Commission (“IOSCO”) with comments in response to the *Governance arrangements for critical OTC derivatives data elements (other than UTI and UPI)* Consultation (“Consultation”).

Before proceeding to the individual responses, we have provided a few overarching comments related to the Consultation and governance work:

Regulatory Adoption

We emphasize the importance of individual authorities to adopt the final *CPMI and IOSCO Technical Guidance on Critical Data Elements other than UTI and UPI (“CDE TG”)* in a manner consistent with the CDE TG and therefore each other, in order to fully realize the goal of standardized data and the benefits harmonization brings to the industry, and to regulators when aggregating data. If each Authority adopts jurisdiction-specific definitions, terms, or allowable values, the risk of reporting inconsistencies grows and complexity and time to implement increases. Where a regime has localized terms or definitions, we propose that a supplemental glossary, explanatory text, or conditions for format and definition be provided outside of regulatory text to be better able to provide updates promptly according to needs. The local requirements should feed back to the CDE definitions to see whether updates or improvements that apply globally are required.

Transparency

There are lessons related to transparency regarding the Legal Entity Identifier (“LEI”) – a successful standard – which we believe would also prove beneficial during the period of CDE implementation. Progress during the LEI implementation process and set-up of the governance framework was made transparent publicly through ‘Progress Notes’ posted

periodically by the Financial Stability Board (“FSB”) and LEI Regulatory Oversight Committee (“ROC”), detailing the status of implementation and next steps. CPMI and IOSCO have tentatively concluded that the International Governance Body (“IGB”) will include relevant authorities. We ask that the IGB use their unique central position within the reportable data elements governance framework to proactively work with authorities to understand adoption plans, and to make timelines and next steps transparent, similar to what was done during LEI implementation. Providing transparency about possible timelines as well as the potential universe of CDE which may be adopted in particular jurisdictions, even if on an indicative basis, would give market participants the visibility they require in order to plan how the implementation of CDE fits into their books of work, therefore reducing implementation challenges. Not having this visibility into which specific CDEs may be adopted by each reporting jurisdiction and in what timeframe means that it is simply not feasible for industry participants to thoughtfully allocate their resources and plan their books of work. This ultimately translates into higher costs for reporting parties to implement the CDE.

In addition, see related responses in Q8.

2. Key criteria for the CDE governance arrangements

Q1: With reference to the key criteria of the CDE maintenance and governance framework (Section 2):

a) Do you consider any further criteria should be included in the above list? If so, which ones should be added and why?

No comments at this time.

b) Are there any criteria in the above list that you do not consider relevant to the CDE maintenance and governance arrangements? If so, which ones should be removed and why?

We believe each of the key criteria proposed is important to the strength of the CDE governance framework; therefore we do not believe any proposed key criteria should be removed.

c) Do you think any of the key criteria should be modified? If so, which ones should be modified, why and how?

For clarity, we propose a slight amendment to “Public interest” to:

“...CDE governance arrangements should support CDE revision requests, the introduction of new data elements, or the deletion of existing data elements in light of changes in public and regulatory interest, **as defined by the key criterion “Change only as needed”,** complemented by a coordination mechanism that, among other things, facilitates coordination among Authorities **for the implementation of such changes.”**

d) Are there considerations which the CPMI and IOSCO should take into account in the event they might need to balance one or more of these criteria against others (ie if a trade-off between criteria becomes evident)?

We believe each of the key criteria proposed is important to the strength and long-term sustainability of the CDE governance framework, therefore this question is challenging to answer without knowing the two (or more) specific key criteria in question.

However, we believe that “Intellectual Property - use of the CDE, including their definitions, formats and allowable values, should not be subject to any intellectual property restriction” should remain a CDE key criteria under any circumstance.

ISDA and its members welcome the opportunity to provide further feedback if a trade-off between specific criteria becomes evident.

Other comments on the key criteria for the CDE governance arrangements (Section 2):

No additional comments at this time.

3 CDE areas of governance functions

Q2: With reference to the CDE areas of governance functions (Section 3):

a) Can you suggest any refinements or additions to the articulated governance functions?

§4 and §6 of the Consultation notes that policy considerations related to the CDE Data Standards will be allocated to the IGB. The Maintenance Body will execute “technical updates of the list of CDE published as CDE Data Standards” ...”as directed by the International Governance Body.” CPMI and IOSCO have recognized the necessity for the IGB to have control over or, at minimum, have an integral stake in the decision-making process of the Maintenance Body for governance Area 1. We agree that their relationship is crucial so that the CDE Data Standards remain fit for purpose and continue to fulfill the

key CDE governance criteria. The arrangements made between the IGB and Maintenance Body need to be transparent.

In short, we propose the above to better support the key criteria of “public interest” and “fit for purpose.”

See related responses in Q3.

b) Can you suggest any other functions that should be included in the above list?

We propose that a function to “Ensure that the key criteria for CDE governance remain fulfilled” be added under governance Area 2 “Oversight Functions for CDE” and allocated to the IGB. We believe that this will help ensure that the coordination mechanism between the IGB and the Maintenance Body is developed in a way which allows the CDE to meet, and continue to meet, the goals of the G20 to improve transparency in the OTC derivatives markets, mitigate systemic risk and protect against market abuse.

c) Are there functions in the list that are not relevant for the CDE in your view and if so which ones and why?

No – we believe the functions listed are relevant.

d) Are there considerations which the CPMI and IOSCO should take into account in the event they might need to balance the performance of one or more of these functions against others (ie if a trade-off between functions becomes evident)?

Since the IGB will be responsible for the policy considerations related to the CDE Data Standards, we believe that the IGB should be able to see all issues or questions related to the CDE. We therefore propose that requests from market participants to the Maintenance Body be forwarded by the Maintenance Body to the IGB so that the IGB can make determinations with consideration to the global impact of such changes. The IGB’s responsibilities, as well as its central role within the CDE governance framework, implies that the IGB will be able to assess issues, determine whether changes are warranted while considering global impact, and allocate the execution of such changes in a way that ensures the key criteria remain fulfilled, and that the CDE continue to be able to be used in a way which is consistent with the objectives of the G20.

See related responses to Q3.

Other comments on the CDE areas of governance functions (Section 3):

We believe more clarity is needed about the process to codify CDE revisions or additions, especially if the CDE in the original CDE TG have already been adopted into rules by one or more regulators. For example, once the CDE not currently in the CDE TG as noted in §3.2.2 are addressed by the IGB, what is the process that will be followed in order to integrate these additional CDE fields into the regulatory text of the individual regimes? This will be especially helpful to market participants in their planning if the initial set of CDE has already been adopted into rules by one or more regulators.

In line with our opening comments and response to Q8, it would be helpful if the governance framework could include a process or method to communicate certain information about the adoption plans of individual authorities to market participants. We recognize the possible challenges with this, however, even if information needs to be updated periodically, providing some transparency will reduce the cost of CDE implementation for parties in scope for reporting in difference regimes by enabling the 'proactive,' rather than 'reactive,' planning of their books of work.

See related responses to Q3.

4. A proposed allocation of CDE governance functions to different bodies

Q3: With reference to the proposed allocation of CDE governance functions to different bodies (Section 4):

- a) Are there any functions on this list that you think would be better allocated to a different entity? If so, which functions and why? In your assessment, please explicitly consider the way each function is further detailed in section 4.

§4.2.1 Monitoring, analysing and resolving issues and requests related to the maintenance of the CDE Data Standards:

In the current proposal, market participants would raise issues on maintenance of CDE Data Standards to the Maintenance Body, while authorities would raise issues to the IGB. The Maintenance Body may or may not escalate market participants' issues to the IGB, dependent on the Maintenance Body's own analysis.

We do not believe the process should be bifurcated in this manner - since the IGB will be responsible for the global policy considerations related to the CDE Data Standards, the IGB will be in the best position to see all issues and requests raised related to CDE, and to determine whether an update to the CDE definitions, format or values is needed, or whether a simple routine change would suffice.

Therefore, questions and issues raised by market participants to the Maintenance Body should be provided by the Maintenance Body to the IGB, so that the IGB can make the

determination as to what is needed. The IGB would then instruct the Maintenance Body to execute the maintenance functions accordingly. The IGB is in the best position to make these determinations in a manner which ensures the integrity of the CDE key criteria and in a way which meets the global data harmonization objectives of the G20. In the process currently proposed by the Consultation, there will be instances when the IGB will not see requests or issues raised at all (such as certain ones raised by market participants), since the Maintenance Body would have the discretion to raise the issue to IGB or not, depending on the Maintenance Body's own analysis.

A public consultation process is important for issues raised, whether by market participants or by authorities, for which the IGB believes a change with global implications is warranted. The consultative process, an important step in the feedback loop, gives any entity which is part of the market infrastructure, including reporting parties, derivatives infrastructure providers, and market data providers, the opportunity to provide feedback for IGB to consider.

We propose that the IGB conduct an audit of the Maintenance Body on a periodic basis, perhaps once every two years, to ensure interests are aligned and key criteria are being fulfilled.

In short, we propose the above to better support the key criteria of "public interest," "fit for purpose" and "consultative change process."

b) If under Q2a you have suggested any addition to the governance functions articulated in section 3, please propose an allocation of those additional functions and provide the rationale for such proposed allocation.

We propose that the function below be added under governance Area 2 (Oversight Functions) and allocated to the IGB.

"Ensure that the key criteria for CDE governance remain fulfilled."

As the central entity with a key role within global CDE governance framework, the IGB is responsible for policy considerations related to the CDE Data Standards and therefore best placed to ensure that the key criteria are met, and the objectives of the G20 are reached.

See related responses to Q2.

c) In relation to the proposed governance arrangements under point 4.2.1, what process should the IGB use to consult and gather feedback from the industry, and why?

In the paragraph regarding authorities under §4.2.1, the Consultation proposes that the IGB “should be able to consult with the industry and gather feedback” if it believes that a maintenance request could require an update to the CDE Data Standard. For clarification, we propose that issues and maintenance requests raised by market participants should equally be able to be raised for public consultation by the IGB if it believes that a change to the ISO standard that has global significance could be needed.

In terms of process, we support the continued use of public consultations and industry calls to gather feedback. Private sector working group(s) with the relevant subject matter expertise, proposed in our response to Q7(e), together with the authorities who will be part of the IGB, need to evaluate the considerations for the addition or revision of the CDE in question at the front-end of the feedback process. Together, they can develop a set of questions for broad public consultation. Public consultations offer an objective and transparent method of gathering feedback from all types of interested parties for consideration by the IGB.

The benefits of using the public/private relationship in this case would be that the questions published for public consultation would incorporate the considerations from both public and private perspectives.

d) What conditions should be considered, other than changes to allowable values, formats and definitions, when deciding to update the CDE Data Standards?

No comments at this time.

e) Would you see specific reasons why the CDE Technical Guidance should be updated whenever the CDE Data Standard are updated?

We believe that the CDE Technical Guidance should be updated whenever the CDE Data Standards are updated, since the definition of CDE Data Standard in the Consultation Annex 2 implies that changes to the CDE Data Standard could impact the definition, format, and allowable values. Further, in line with our response to Q3(e), we believe that the CDE Data Standard and CDE Technical Guidance should be publicly announced and disseminated when changed. Doing so would reduce confusion and inconsistency of reporting, especially where, for example, there is reference simply to the ‘latest’ CDE Technical Guidance on local, regional, or jurisdictional websites and explanatory materials. This could also be aided in the future by versioning CDE Technical Guidance documents.

Other comments on the proposed allocation of CDE governance functions to different bodies (Section 4):

§4.2.2 Decision-making mechanism among Authorities taking part in the governance arrangements:

The process to codify revised data elements, such as the excluded data elements noted in §3.2.2, and the process to add data elements, for example, when a new reporting regime comes into existence, is not clear. We propose that the discussion among authorities about the codification of a particular change to a CDE be included within the governance framework, either as part of the decision-making mechanism among authorities when considering global impact of a potential change, or Area 3. Legislative and regulatory processes are varied, so any clarity about potential timelines for codification by the authorities within the IGB would help market participants to plan proactively. Facilitating the ability of industry participants to proactively plan will reduce their costs of implementing CDE.

Please see related points in our response to Q2 “Other comments”.

§4.2.3 Mechanism through which the International Governance Body liaises with the Maintenance Body:

We agree that the relationship between the IGB and the Maintenance Body is important within the CDE governance framework to ensure that the key criteria are fulfilled and the goals for globally harmonized data elements can be met. Therefore, we propose that the relationship between the IGB and the Maintenance Body be formalized, and the arrangements made transparent to all stakeholders. In addition, the coordination mechanism and process (schedule of meetings or touchpoints, how activity and next steps are made transparent to stakeholders, etc.) should also be made transparent to stakeholders.

We believe this is important for the governance of CDE, in order to:

- ensure that the Maintenance Body addresses issues and requests promptly, raising all requests to the IGB for consideration from a policy and global impact perspective so that CDE key criteria remain satisfied;
- promote consistent communication between the Maintenance Body and the IGB;
- enable the IGB to effectively monitor and work with the Maintenance Body regarding the execution of their maintenance functions as directed by the IGB, including timely resolution of requests.

In short, we propose the above to better support the key criteria of “public interest,” “consideration of other arrangements,” and “fit for purpose”.

See related response to Q2(a).

§4.3.1 Processing requests for information (related to the CDE Technical Guidance) and providing clarifications:

We agree generally with the proposal, with emphasis that authorities coordinate with the IGB for requests regarding the CDE TG that have global relevance, or could have policy impact for the globally harmonized critical data elements.

§4.3.4 Recommending how the CDE Technical Guidance should be implemented by Authorities, including possible levels of coordination:

See related responses in our opening comments and responses to Q8 “Implementation”.

§4.3.6 Assessing the extent to which the reporting of CDE to TRs conforms with the jurisdictional implementation of the CDE Technical Guidance:

We agree that the monitoring of the CDE TG and identification of implementation issues can be done by the IGB at the global level (per §4.3.5) but that individual authorities can assess whether reporting to the TRs conforms with their own jurisdictional implementation of the CDE TG.

5. Assessment of CDE against other OTC derivatives data elements (UTI, UPI, LEI)

Comments on the assessment of CDE against other OTC derivatives data elements (UTI, UPI, LEI) (Section 5):

a. With regards to the preliminary conclusions in §5.4 of the Consultation, we agree with points 1 and 2 that it is more effective to have a single body, such as ISO, handle the execution of the technical changes to the CDE, rather than have separate bodies “handling sections of the CDE.”

b. However, the policy considerations and responsibilities are important for all the globally harmonized data elements, including CDE. It is the IGB which will have accountability for the CDE from a global policy standpoint, not the Maintenance Body. Therefore, related to point 3 in §5.4, we believe that the IGB is in the best position to consider all issues and requests raised by either authorities or market participants. We propose that all requests and issues raised to the Maintenance Body by market participants first be forwarded by the Maintenance Body to the IGB. The IGB will determine, from a key criteria and fulfilment of G20 goals standpoint, what changes to the CDE may be warranted. The Maintenance Body would then implement the updates and execute the technical changes in line with IGB’s determination. With this approach, the Maintenance Body is responsible for the execution of the maintenance of the CDE Data Standard as proposed in the Consultation, while the IGB retains strategic oversight within the governance framework.

See related responses to Q3.

c. A strong private-public sector partnership is important to the governance framework of any of the global harmonization data elements, including CDE, Unique Transaction Identifier (“UTI”), and Unique Product Identifier (“UPI”) to ensure that CDE evolves with the market and changes in line with the G20 objectives.

See related response to Q7(e).

d. Similar to what the Consultation highlights for the UTI governance arrangements, the CDE governance framework should be designed to be responsive to change requests.

6. Proposed governance arrangements for the execution of maintenance functions (area 1)

6.1 Adoption of CDE as International Data Standards maintained by an International Standardisation Body

Q4: With reference to the adoption of CDE as International Data Standards maintained by an International Standardisation Body (Section 6.1):

a) Do you agree with the analysis? If not, how would you amend it?

We are in broad agreement with the analysis in §6.1

b) Do you see any disadvantages to seeking CDE adoption as International Data Standards?

No, we do not see disadvantages to seeking adoption of CDE in the ISO 20022 data dictionary, with consideration to the feedback provided throughout our response.

Other comments on the adoption of CDE as International Data Standards maintained by an International Standardisation Body (Section 6.1):

No additional comments at this time.

6.2 Allocation of the execution of the CDE maintenance functions to ISO

Q5: With reference to the Allocation of the execution of maintenance functions of CDE to ISO (Section 6.2):

a) Do you agree with this analysis? If not, how would you amend it or what alternatives would you suggest?

While we largely agree with the analysis laid out in §6.2, we would like to note that the fifth bullet in the §6.2 list of reasons given as to why ISO would be a preferred candidate

for the Maintenance Body says that the “inclusion of CDE in the ISO lexicon”...” would make the CDE generally available for purposes other than OTC derivatives.”

While that is true in theory, a guiding principle’ of the CDE Technical Guidance is that the mandate for harmonization of the CDE is for OTC derivatives only.¹ It is plausible that changes to format, values and/or definition would be required if CDE were to be used in areas other than OTC derivatives. The IGB would therefore either need to be willing to make changes which fall outside the product scope of OTC derivatives, establish a governance framework for such changes, or find another governance framework to do so. A benefit, however, could be the use of the CDE data fields in OTC derivative processes other than regulatory reporting.

b) If a decision were taken to adopt the CDE as International Data Standards, should the CPMI and IOSCO seek to specify any conditions or limitations on ISO concerning the maintenance of the CDE Data Standard? If so, which?

Yes, we propose that the following conditions be specified:

- (i) The IGB as submitter of the data fields to ISO 20022 will remain responsible for the policy aspects regarding the maintenance of the standard.
- (ii) To the degree that certain CDE data fields already exist in ISO 20022, the IGB will need to be assured that the definitions can be updated where required and future changes are controlled by the IGB.

c) Do you see any other advantages and disadvantages of seeking ISO’s assistance in this governance area?

We believe that inclusion of CDE in ISO 20022 would be beneficial towards helping to develop a data dictionary of globally consistent data elements. ISO 20022 has an established and well-defined review and maintenance processes. We believe that CDE adoption will benefit from these processes. Inclusion of the CDE in the ISO lexicon and financial industry message scheme, ISO 20022, will ultimately provide the market with one publicly available data dictionary which can be used for regulatory reporting as well as other processes.

Therefore, within the considerations summarized in our responses to Q2 and Q3, we do not see disadvantages in seeking ISO’s assistance in governance Area 1.

¹ Although the CPMI and IOSCO CDE Technical Guidance notes that some authorities may wish to use the Critical Data Elements for transactions outside of OTC derivatives. See CPMI and IOSCO *Harmonisation of critical OTC derivatives data elements (other than UTI and UPI)- Technical Guidance*, §1.2 (April 2018), <https://www.bis.org/cpmi/publ/d175.pdf>.

d) Can you identify any relevant lessons from the LEI governance or other standards in use in the financial community? Are there any lessons learned with respect to referral of a data standard to ISO for adoption?

Although the Critical Data Elements will not have the centralized framework of issuance of the LEI, there are pertinent lessons, mentioned in other parts of our response, regarding the LEI implementation process and establishment of the LEI governance that are worth highlighting, including:

- **Transparency:** Progress on the LEI framework was made public through ‘Progress Notes’ which were periodically posted by the FSB and LEI Regulatory Oversight Committee (“LEI ROC”), detailing the work being performed and next steps.
- **Private/Public Cooperation:** During implementation of the Global LEI System (“GLEIS”), private sector representatives were able to join the implementation effort via a public invitation issued by the FSB, and strong cooperation between the private sector and the global regulatory community was valued and relied upon. This collaboration was a contributing factor in the success of the LEI standard. The private sector representatives are still consulted today, post-initial implementation, for Level 2 and ‘business as usual,’ as part of the ongoing governance of the GLEIS.

The transparency provided during the formation of the LEI governance framework and cooperation with private sector in implementation plans gave clarity and certainty to market participants, which helped to promote industry adoption of the LEI. The continued involvement of the private sector in the Global LEI Foundation (“GLEIF”) Board and in the LEI ROC’s use of consultations on new policy helps promote continued adoption of the LEI and helps ensure the LEI system continues to be viable. Oversight by the central global body of the 70 regulators of the LEI ROC is also key to the LEI’s globally consistent approach and broad acceptance.

Other comments on the Allocation of the execution of the CDE maintenance functions to ISO (Section 6.2):

No additional comments at this time.

6.3 Inclusion of CDE in the ISO 20022 data dictionary

Q6: With reference to the inclusion of CDE in ISO 20022 data dictionary (Section 6.3):

a) Do you agree with this analysis generally, and specifically in the context of the proposed allocation of functions described in section 4? If not, how would you amend it?

We generally agree with the advantages laid out in the analysis (§6.3) to include CDE in the ISO 20022 data dictionary.

The Consultation touches on proposals of new or revised ISO 20022 messages to adapt the usage of an existing or new Business Concept. As far as we are currently aware, an entity

would normally submit a proposal of a new or revised Business Concept and the change to the Business Concept would spur any changes to the associated set of messages. The Consultation (governance Area 1) proposes the addition of CDE as Business Concepts but only briefly touches on the responsibility for the development of the associated messages. The Consultation notes the possible involvement of the IGB in the derivatives-related messages process under ISO 20022, however, we would like further clarity about the proposal for IGB's role in the development of a set of regulatory reporting messages, including scope of the role and timing.

See related responses to Q3 regarding the process of potential changes to CDE.

b) If a decision were taken to allocate the execution of the maintenance functions to ISO, do you agree that the CDE should be proposed for inclusion in the ISO 20022 data dictionary? If not, what alternatives would you suggest?

We agree that if the maintenance functions are allocated to ISO, the proposal that the CDE be included in the ISO 20022 data dictionary would be the best approach. Establishing each CDE as an individual ISO standard would be challenging and require a lengthy period - the cost and shorter timeframe to update the data dictionary seems practicable, especially since, as noted in the Consultation, many CDE data elements already exist as ISO Business Concepts. Ultimately, the market will benefit from having one data dictionary containing all CDE.

c) Should the CDE be included in ISO 20022 data dictionary, do you have any comments concerning how the potentially significant involvement of market participants in the maintenance of critical data elements might affect the function and efficacy of CDE as part of harmonisation standards for OTC derivative transaction-level reporting?

In our proposal outlined in the responses throughout Q3, the involvement of market participants would occur prior to the instruction by the IGB to the Maintenance Body about any changes or additions to the CDE. A process set up in this way allows for minimal disruption of the well-established ISO 20022 procedures we have voiced support for elsewhere in this response, but still allows for a strong private/public partnership to be present with the CDE governance framework. As noted elsewhere in our response, such a private/public partnership has proven to be valuable in other successful data standards (i.e. LEI), and we think will improve the efficacy and applicability of CDE in line with market evolution.

Other comments on the inclusion of CDE in the ISO 20022 data dictionary (Section 6.3):

No additional comments at this time.

7. Factors relevant to identification of the International Governance Body for CDE in areas 2, 3, and 4

Q7: With reference to the factors relevant to the identification of the International Governance Body for CDE in areas 2, 3, and 4 (Section 7):

a) Should the International Governance Body be an existing body or is there a need to create a new body? Especially if an existing body, how important should experience/track record be as a consideration in the choice of IGB?

We believe it would be practical to leverage the governance framework being developed for the other global harmonization work – UPI and UTI. To the extent that the same resources (such as administrative, technology, human resources) can be shared it would make sense to do so. Reasons include:

- A common goal originating from the G20 Pittsburgh Summit to improve transparency in the OTC derivatives markets, mitigate systemic risk, and protect against market abuse by reporting all OTC transactions to a trade repository, facilitated by globally standardized data elements;
- The benefits of prior experience and shared history: CPMI, IOSCO, and the FSB have been working together through the work on the harmonization of reportable data elements, from the publication of the *FSB's Feasibility Study on Approaches to Aggregate OTC Derivatives Data*² to the development of the global technical guidance as well as official sector impetus for the implementation of uniform global reportable data elements;
- Supporting the CDE key criterion of “consideration of other arrangements;”
- Lastly, there may be work to be done for CDE but not UTI, or UPI but not CDE, at any given time (as examples). Sharing the governance infrastructure and certain resources can be a way to decrease overall costs and ensure that resources are fully utilized.

b) If any International Governance Body would need to absorb significant cost in order to devote sufficient resources to serve effectively in that role (possibly, for example, in the case of a public/public partnership), how should such costs be allocated among stakeholders?

The common governance framework the response proposes in 7(a) would reduce overall governance costs, however, contrary to what is implied by this question, we do not see an immediate need to absorb significant cost for the CDE governance.

We view the critical data elements work as a regulatory initiative stemming from the 2009 G20 Summit Leaders' commitments.³ To ration any overhead (and therefore cost

² Financial Stability Board, *Feasibility Study on Approaches to Aggregate OTC Derivatives Data* (19 September 2014). http://www.fsb.org/wp-content/uploads/r_140919.pdf

³ *G20 Leaders Statement: The Pittsburgh Summit* (September 24-25, 2009), <http://www.g20.utoronto.ca/2009/2009communique0925.html>

recovery), and taking into account our comment that we expect costs to be limited, we suggest that costs should be borne accordingly.

IGB members can provide Secretariat support or organize meetings on a rolling basis (for example for a period of 2 years). We also expect that several parties will be contributing their time as representatives of their firm or constituency.

c) Are there particular characteristics that you believe would best demonstrate that any International Governance Body for CDE has the capacity and resources to serve effectively in that role?

See response to 7(a).

d) Are there other factors that the CPMI and IOSCO should consider in identifying an International Governance Body?

See response to 7(a).

e) Taking account of the factors described above and other factors deemed important, which body (or bodies) should the CPMI and IOSCO consider as candidates to serve as an International Governance Body for CDE? Which factors are most influential as the basis for such recommendation(s)?

A strong private/public partnership is an important factor in the governance framework of any of the global data elements. We propose that the CDE governance framework includes a way to engage with market participants for input. In the joint ISDA and Global Financial Markets Association (“GFMA”) response to the FSB’s *Consultation on the Proposed Governance Arrangements for the Unique Transaction Identifier (UTI)*⁴, the Associations highlighted a takeaway from another standard, the LEI, which we believe applies to CDE. Private sector representatives called together by the FSB during LEI implementation⁵ are still consulted today as part of the ongoing governance of the GLEIS for Level 2 and ‘business as usual,’ through the LEI ROC’s use of consultations on new policies. For CDE governance, we propose that a private sector group(s) be formed, to be called upon by the IGB when needed, for example as proposed for the feedback process (see response to Q3(c)). We envision that under the shared governance framework of global harmonized data elements (including UTI, UPI, and CDE) suggested in our response to Q7 (a), private sector groups with different subject matter and asset class expertise can be formed and called in when the relevant expertise is needed. In this way, participants in areas for which they have knowledge and expertise can actively participate when needed

⁴ <http://www.fsb.org/wp-content/uploads/ISDA-and-GFMA.pdf>

⁵ Financial Stability Board *Formation and launch of the FSB Legal Entity Identifier (LEI) Private Sector Preparatory Group (PSPG)* (3 August 2012), http://www.fsb.org/wp-content/uploads/r_120803.pdf

and the IGB can obtain feedback targeted to the subject or data element (UTI, UPI, or CDE) at hand.

The transparency provided during the formation of the LEI governance framework and cooperation with private sector in implementation plans gave clarity and certainty to market participants, which helped to promote industry adoption of the LEI. The continued involvement of the private sector in the GLEIF Board and in the LEI ROC's consultations on new policy helps promote continued adoption of the LEI and helps ensure the LEI system continues to be viable.

For the second factor described in Section 7, we agree with CPMI and IOSCO's tentative conclusion that authorities from relevant regimes be included in the IGB in order to provide input on the relevancy of new/revised data elements. Equally, coming back to developing a strong private/public partnership, we believe that private sector participants, including reporting parties, derivatives infrastructure providers, and market data providers, should be involved in (1) raising new requests/issues (2) providing input on proposed changes, including operational feasibility and (3) giving indications of time needed to implement. Different private sector groups could be established by subject matter and/or asset class expertise. Each private sector group need not be fully deployed each time. Instead, the private sector group with the appropriate subject matter or asset class expertise could be called upon when authorities in the IGB have a CDE change or addition for consideration.

Other comments on the factors relevant to the identification of the International Governance Body for CDE in areas 2, 3, and 4 (Section 7):

No additional comments at this time.

8. Implementation

Q8: With reference to implementation (Section 8):

a) Is there any specific issue or challenge that should be considered by the Authorities?

Timing:

Given the complexities regarding multiple critical data elements and different reporting jurisdictions which may adopt different individual critical data elements, we propose that CPMI and IOSCO provide guidance on timing using a 'back-stop' date approach similar to that of the FSB's in its final *Conclusion and implementation plan for the Governance arrangements for the UTI*. For example, that jurisdictions requiring the reporting of CDE for OTC derivatives undertake the required actions relevant to their situation to implement the CDE TG to take effect no later than three years from the publication of the final recommendations on CDE governance.

Implementation Planning and Transparency

We agree that CDE implementation includes the three areas listed in §8. The implementation of the CDE will be particularly intricate and complex due not only to the number of data elements, but because different authorities will presumably adopt on different timelines. Reporting parties currently do not have visibility about which specific data elements each reporting authority plans to adopt and in what timeframe, making planning of resources and budgeting impossible. In the future, once there is clarity on which reportable data elements will be required for a particular regime, each institution will need to perform a gap analysis to understand the differences between what they currently report and the new requirements, in order to form an implementation plan for compliance. Based on the level of work revealed by its gap analysis findings, each market participant will need sufficient lead time to build into its reporting processes all or some (depending on reporting obligations) of the 100+ data elements.

Although we re-emphasize that we believe it important for each authority to adopt data elements consistently with the CDE TG to foster meaningful aggregation of data, we understand that each reporting authority will adopt the critical data elements relevant to its needs, so that a different set of critical data elements will potentially be required for each regulatory jurisdiction. While this means that central coordination of implementation is not practicable, any transparency about the adoption plans of reporting authorities, many of whom are part of the IGB, would help industry participants plan more thoughtfully and obtain the budget and resources they will need for CDE implementation.

Consistent Adoption

The CPMI and IOSCO Harmonisation Group CDE Technical Guidance is intended for regulatory authorities, and each regulator may adopt different CDE and also take different steps to amend their rules to adopt the recommendations. It is critical that all regulators translate the CDE TG of a particular data element into their rules in a consistent way.

An inconsistent approach among regulators to adopting the Technical Guidance for an individual critical data element would be inefficient, challenging for reporting parties to implement, and would result in costs for industry participants which could be avoided by homogenous adoption of the critical data element. Additionally, the ability of global regulators to obtain high quality data to aggregate and analyze would be impeded, thereby undermining the original rationale for global harmonisation of reportable data elements.

We propose that as part of its function 3.5 (governance Area 3), the IGB begin work with each authority as soon as feasible to ensure the authority drafts the definitions, values and formats of adopted CDE consistently with the CDE TG.

Other comments on implementation (Section 8):

Please refer to “General comments.”

Other comments:

In line with our responses to Q2 and Q3, we request more clarity about the process to codify revised or added data elements, for example to add the excluded data elements regarding baskets, or to add critical data elements when a new reporting jurisdiction comes into existence in the future. Legislative and regulatory processes are varied and lengthy, so any clarity on the vision for codification would help market participants in planning changes to their reporting systems.