



Aviva Investors' Response to CESR's consultation paper
Trade Repositories in the European Union

Aviva plc is the world's fifth-largest¹ insurance group, the largest insurance services provider in the UK and is one of the leading providers of life and pension products in Europe and is actively growing its long-term savings businesses in Asia Pacific and the USA. Aviva's main business activities are long-term savings, fund management and general insurance.

Aviva Investors is the global asset management business of Aviva plc, managing assets in excess of £222² billion across a range of funds and asset classes. The business operates under a single brand with 1,430 employees in 20 locations across North America, United Kingdom, Continental Europe, and Asia Pacific.

Please note that we ask for our submission to remain private and therefore, not be made available for public inspection.

We have the following general comments to make:

- We are not strong advocates of trade repositories, but given the choice between one and many, we are strongly in favour of one single trade repository.
- We are more concerned about counterparty risk than trade transparency.
- We consider that the benefits of trade repositories fall largely to regulators and that clearing via exchange is the more relevant concern for the buy-side.
- It is important that any benefits arising from trade repositories outweigh the costs imposed.

Please find below our responses to the specific questions.

Q1. Do you agree with the functional definition of what constitutes a trade repository?

We agree with the definition of what constitutes a trade repository. We expect that the methodology and format by which a trade repository manages the relevant data is standardised and where possible consistent in its protocol for receipt.

We also believe that it is most appropriate for any clearing bodies to provide the facility and service for delivering the data to a trade repository and not the market participant independently.

Q2. What other characteristics of a TR do you consider essential?

Other characteristics that we consider essential are that a trade repository should be regulated and that it must be genuinely independent of any market participants. Furthermore, it is very important to the industry that anonymity is maintained; this is the underlying premise of OTC transactions. The use of data must be limited to only those regulatory institutions with the responsibility for monitoring market exposures and risks.

¹ Based on gross worldwide premiums for the year ended 31 December 2008

² As at 30 June 2009

Q3. In your opinion, what kind of information should be available to: regulators, market participants and the general public, respectively? Please differentiate by asset class where appropriate.

There are different information requirements for the different stakeholders. Regulators should be able to access economic data of transactions along with exposure by asset class and brokers. Market participants should only be able to view their own transactions - much as they would already with DTCC records. The security of this data is therefore paramount. Any trade repository and respective regulators must ensure that information to be published does not give other parties information that can be used to understand another market participant's strategies and thus not compromising the confidentiality of third party client data. Where appropriate, this can be achieved through aggregation and by publishing trades in an anonymised manner.

Q4. Do you agree that trade repositories should provide adequate processes to ensure the reliability of the data provided? How could reliability be ensured?

Yes, we agree that trade repositories should provide adequate processes to ensure the reliability of the data provided. As long as the trade repository is backed by the International Swaps and Derivatives Association (ISDA) and conforms to short form matching it should be the responsibility of the data sender to meet the basic requirements. A consistent format and method would ensure minimal cost and impact to participants.

The risk of an incident affecting the critical business functions of the trade repository, which is heightened by the existence of only one global trade repository, can be mitigated by appropriate Business Continuity Planning. Similarly, reliability of the trade repository could be ensured through appropriate controls, subject to regulator testing. The quality of the data, however, relies on the accuracy and timeliness of data submitted by participants.

Q5. Do you see any other entity with legitimate information needs with regard to OTC derivative trades recorded in a trade repository? If yes, please explain.

No, we do not see that other entities have legitimate information needs.

Q6. Do you see a need for establishing TR facilities in Europe if a global repository already exists elsewhere? Do you believe that a European repository is needed for each OTC asset class as described above (i.e. CDS, interest rate and equity derivative markets)? Please give reasons.

No, we do not see a need for establishing trade repository facilities in Europe if a global repository already exists elsewhere. We believe we should be targeting a global model. This should be across asset classes. The more standardisation there is, the clearer the system is for all participants and the simpler it is to regulate.

From the market participant perspective, fragmentation may result in the need to develop multiple systems in order to report to multiple trade repositories. This increases costs and the potential for data to be mis-reported.

The disadvantage of a single global model is the lack of competition which could result in higher costs for participants and a reduced incentive to innovate and develop. This could be mitigated by strong governance and a clear mandate that sets cost control and innovation as objectives.

Q7. If yes, what form should the trade repository facilities to be established in Europe take (e.g. single point of information, back-up facility) and which trades should be registered in such facilities (e.g. trades of European market participants, trades referring to European underlying entities)? Please specify.

N/A

Q8. Do you think there should be harmonised EU requirements for the regulation and supervision of trade repositories?

If there were multiple trade repositories in Europe, then we would support harmonised EU requirements for their regulation and supervision as we believe that such requirements should be harmonised for the EU and that gold-plating must be avoided. However, we favour a single global model which could be achieved through the existing US trade repository and therefore, such requirements would be unnecessary.

Q9. To what extent do you expect that protocols, common market practices and the like, surrounding proposed solutions for trade repositories, could promote harmonisation and foster safety and efficiency in the post-trading process? Please provide reasons for your position.

Standardisation and promotion of electronic platforms in the OTC market will by its nature provide improved post-trade management.

Two examples of industry led solutions are as follows:

- Generally, we consider that ISDA initiated protocols are effective because they have the full support of the industry; and*
- The creation of DTCC is a good example of a successful initiative by the market, in response to regulatory pressure. As a result, the large backlog of unsigned confirmations was resolved and risk reduced.*