# KDPW\_CCP response to the CONSULTATION PAPER 10th November 2014, ESMA/2014/1352

## General comments

In our opinion changes presented in Consultation Paper (CP) are very significant and deep. It means that application which is used for reporting also needs to be changed and that the change would be significant. We would like to point out that the KDPW\_CCP as reporting entity had to change reporting system many times since the introduction of reporting obligation which brings additional costs and effort both to KDPW\_CCP and to its participants and clients. We would rather appreciate stability of the system in long term instead of frequent rules changing. Although above statement we have doubts if presented RTS change is needed and well prepared.

**Q1: Do you envisage any difficulties with removing the ‘other’ category from derivative class and type descriptions in Articles 4(3)(a) and 4(3)(b) of ITS 1247/2012? If so, what additional derivative class(es) and type(s) would need to be included? Please elaborate.**

We do not recommend removing any category from derivative class and type descriptions. Category ‘other’ provides opportunity to encompass any new class/type in a future.

**Q2: Do you think the clarifications introduced in this section adequately reflect the derivatives market and will help improve the data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate.**

Phrase ‘replacement of the contract’ in point 21st should be defined more accurately and clearly state if it contains of additional cost and commissions.

We recommend using phrase ‘CCP’s end of day price’ instead of ‘CCP’s settlement price’ as it is more suitable for derivative market.

Point 25 is very important for KDPW\_CCP as it is about side of trade. In our opinion swaps do not really have BUY/SELL side but rather PAYER and RECEIVER. We recommend taking into account that market approach into consideration. If BUY/SELL indicator remains please clearly state what side indicator should be applicable for Basis Swap contract in which both side pay float stream.

Also point 25 should use reference to ‘Table 1 Field 14’ instead of ‘Table 1 Field 13’.

**Q4: Do you think the adaptations illustrated in this section adequately reflect the derivatives market and will help improve the data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate.**

Regarding point 29th: removing possibility of using ‘client codes’ would block proper reporting for some groups of entities. For example entrepreneur private persons cannot obtain LEI codes.

Also this point contradicts to Table 1 field 2 format which allows the unique identifier at a national level. Please clearly indicate what is and what is not allowed.

Regarding point 41: paragraph refers to new action type ‘R’. The description is very short and in reality it is impossible to understand how it should work and for what reason. In our opinion new functionality should be described much more precisely in order to receive the feedback on it.

Regarding point 42: paragraph refers to new action type ‘P’. The description is very short and in reality it is impossible to understand how it should work and for what reason. In our opinion new functionality should be described much more precisely in order to receive the feedback on it.

In our opinion new Table 1 field 7 with expanding possible values is redundant and does not mitigate any kind of risk.

**Q5: Do you think the introduction of new values and fields adequately reflect the derivatives market and will help improve the data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate.**

Regarding points 52 and 53: If new fields ‘margin posted’ and ‘margin received’ are to be introduced please take into consideration removing Table 1 field 22 (collateralization) as it is redundant.

**Q7: Do you anticipate any difficulties with populating the corporate sector of the reporting counterparty field for non-financials as described in paragraph 42? Please elaborate.**

Yes, we do anticipate difficulties as it is redundant information which only makes the system more complicated and requires from the reporting system receiving new data from participants (clearing members, executive brokers and clients).

**Q10: The current approach to reporting means that strategies such as straddles cannot usually be reported on a single report but instead have to be decomposed and reported as multiple derivative contracts. This is believed to cause difficulties reconciling the reports with firms’ internal systems and also difficulties in reporting valuations where the market price may reflect the strategy rather than the individual components. Would it be valuable to allow for strategies to be reported directly as single reports? If so, how should this be achieved? For example, would additional values in the Option Type field (Current Table 2 Field 55) achieve this or would other changes also be needed? What sorts of strategies could and should be identified in this sort of way?**

We strongly recommend not allowing report strategies such as straddles as a single report due to bringing huge problems in building the application that links some trades from an exchange and create the strategy. Additionally we cannot imagine reconciliation process of such strategies as both parties do not report in the same way.

**Other comments:**

Regarding Table 2 field 16 please elaborate on Price/rate applicable for Basis Swap. What exactly should be used for feeding this value?