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European Securities and Markets Authority

Via email: www.esma.europa.eu

**Review of the revision of technical standards on reporting under Article 9 of EMIR
Consultation Report (the "Consultation") issued by
European Securities and Markets Authority ("ESMA") on November 10, 2014**

Dear Sir or Madam

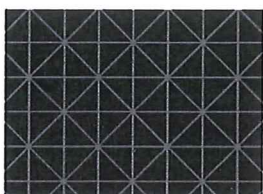
DTCC Derivatives Repository Ltd. ("DDRL") welcomes the opportunity to comment on the Consultation. As an organization that serves its participants by fulfilling their trade reporting obligations and facilitating the supervisory duties of their respective regulators, we commend the efforts of ESMA to engage the industry in a discussion regarding the review of its technical standards. ESMA's goals of increased clarification, greater consistency, harmonized population of fields and reporting of complex derivatives will improve data quality, help identify and limit systemic risk, and increase global transparency. We encourage ESMA to work collaboratively with its fellow regulators and international standard setting bodies in a concerted effort to bring changes like those being proposed to all reporting regimes in a coordinated and consistent fashion.

It is our belief that revised technical standards that are comprehensive in scope and clearly defined, yet broad enough to incorporate the reporting requirements of all market participants will successfully advance the industry goals of harmonization and standardization. This standardization will result in less divergence in the data reported by market participants and a more comprehensive data set available to regulators around the world. DDRL supports such an outcome. In fact, DDRL, in partnership with its ultimate parent The Depository Trust Clearing Corporation ("DTCC") has been actively involved in the Level 1 (and coming Level 2) data quality improvements undertaken by ESMA as part of DTCC's data quality initiative.

Please find attached below our responses to the questions in the Consultation, which we would be happy to discuss further, if you so desire.

Yours faithfully

IAN R. MCLELLAND
President and CEO, DTCC Derivatives Repository Ltd



Specific Comments:

DDRL suggest that the revised technical standards should include guidance with regard to the arrangements for transition from the original reporting fields to the new reporting fields. DDRL do not believe it is feasible to require data submitters to update the entire population of previously reported trades and suggest that the revised regulation should be implemented prospectively with respect to the submission of new trades and on submission of modifications to existing trades. Such a transition arrangement would mean that:

1. All new trades submitted on or after implementation of the new standards must comply with those standards;
2. Submission of modifications to trades submitted prior to implementation of the new standards will be required to be compliant with the new standards thus bringing the trade state for those trades in line with the new standards;
3. All trades previously reported and live would remain in the current state and new fields would not be reported for these trades (unless modified); and
4. All expired trades would remain in the current state and new fields would never be reported for these trades.

DDRL understands that due to dual reporting, there may be an issue if one party modifies a trade and the other does not. This is something we would like to discuss with ESMA.

DDRL also recommends that prior to the implementation of the revised technical standards, ESMA should clarify for each asset class, fields where the values can remain blank and/or fields where "Not Available" can be specified as a valid value. This approach would minimize interpretation by market participations resulting in fewer inconsistencies in the data reported and result in higher quality data.

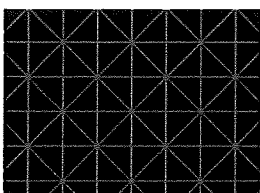
Answer to Questions Presented

- 1. Do you envisage any difficulties with removing the "other" category from derivative class and type descriptions in Article 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?**

DDRL do not envisage any issues in removing this value from the derivative asset class. For the Contract type field (Table 2 Field 1) we would recommend the derivative type of "Exotic" being added or replacing "Other". There is a category of trade which is often termed as a structured or strategy trade which introduces risk characteristics that are not captured by the current taxonomy coding. Recognition must be given to the fact that product development is ongoing in the derivatives industry and that over time, exotic or bespoke products trend to common or plain vanilla as the market evolves and the product becomes more mature. As such there must be flexibility in these types of classification as the product becomes viewed as less complex and moves through its lifecycle to be classified as a specific product that is widely traded.

DDRL would like to bring ESMA attention to the fact that the FX industry (GFMA member firms) have introduced 27 new product classifications to the new 5.8 FPML standard, this is an example of the market evolution referred to in the previous paragraph. DDRL would request that ESMA consult with the industry regarding the data items that need to be reported for these new products.

To ensure consistency of reporting we would recommend ESMA make clear to Reporting Counterparties on certain products how they should be reported to ensure they can be matched. For example, Bond Options or Bond Forwards which we believe should be reported under the Interest Rate asset class.



- 2. 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.**

DDRL believes the clarifications made adequately reflect the majority of the derivatives market. We would request that more clarification is provided to participants on populating the notional legs 1 and 2 for OTC FX trades. In the EMIR Q&As "TR Question 24" provides details regarding how to populate the deliverable currency and how to determine the Buyer and Seller. From current reporting experience reporting counterparties do not capture the "Quote Pair". We would ask that the notional leg 1 is also represented as the deliverable currency and leg 2 as the other currency 2 notional. This will allow for a uniform process of matching trades in the reconciliation process. Also, on OTC FX Swaps we ask ESMA to ensure these are reported out as 2 separate legs as the near and far legs to ensure the consistency of reporting so these trades can be paired and matched at the trade repositories. For OTC Interest Rates we would urge ESMA to clarify the same on which legs to populate in which field. For example, fixed versus fixed and float versus float trades. These are the main causes of low matching rates in the reconciliation process for Trade Repositories.

DDRL recommends that the list of currencies that can be reported is not limited to the ISO 4217 list as trades are executed in valid currencies that are currently not on this list. This is leading to incorrect reporting by some counterparties on the incorrect currency code. There should be a defined list of other currency codes that can be accepted over the ISO 4217 to still ensure the quality of this field is kept and the values can be validated.

DDRL would also recommend advising Reporting Counterparties which fields can be left blank or a value for not available.

- 3. What difficulties do you anticipate with the approaches for the population of the mark to market valuation described in paragraphs 21 or 19 respectively? Please elaborate and specify for each type of contract what would be the most practical and industry consistent way to populate the field in line with either of the approaches set out in paragraphs 21 and 23.**

DDRL do not anticipate any issues with reporting out of these fields.

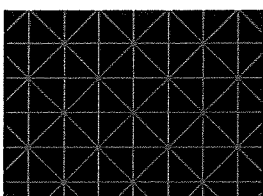
- 4. Do you think the adaptations illustrated in this section adequately reflect the derivatives market and will help improve the data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate?**

Please note that all field numbers have been made in reference to the proposed tables as laid out in Annex IV and V of the Consultation.

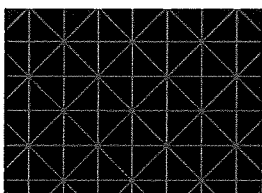
DDRL supports the removal of identifiers and leaving just LEI or a client code. We recommend for each field requiring an identifier that an 'Identifier Type' field be added showing the type of identifier code represented in such field. We recommend the values to be marked as either L for LEI or C for a client code; this will also help with the validations of the values in these fields.

Please see below comments with respect to specific fields:

- Corporate Sector of the reporting Counterparty (Table 1 Field 7) – DDRL believes this should be captured as part of the static data on an LEI at the LOU and not captured on a trade by trade basis as this will not change very often. If it is determined this must still be captured as part of the fields then this should be a singular value rather than a multiple value as it will be extremely difficult to validate.



- Country of the other Counterparty (Table 1 Field 4) – with the removal of the “Counterparty is Non-EEA” field this field will help in identifying which regulatory authorities can be provided access to the trades for the “Other Counterparty” where an LEI has not been used. We still see a gap that the old field did not cover for those trades reported under AIFMD, where the Asset Manager in Europe executes for a fund outside of Europe and has a reporting obligation to report under EMIR. For this we would ask the fields Asset Manager ID and Country of Asset Manager to be added to ensure these trades can be clearly identified for reconciliation purposes. The addition of these fields also serves for other purposes as described in response to question 5 below.
- Price Notation Type (Table 2 Field 17) – DDRL support the removal of the free format ability of this field and would support a fixed list of values and would like to see at a minimum the following values Basis Points, Percentage, Exchange Rate and Spread. Currently ISDA have a best practise guide on how this should be defined and we believe this is a good basis to start with but requires further refinement as the value of “Price” is not descriptive enough to define what is meant in the price /rate field. The adaptation to this field also does not allow Commodity trades to be represented in a clear and meaningful way. We would recommend creating a new field to show the Unit of Measure being applied to the Commodity i.e. Barrels or MT.
- Original Notional Amount & Actual Notional amount (Table 2 Fields 19 & 20) – DDRL support the introduction of original notional and actual notional but would suggest renaming “actual” as “current” and therefore have original notional and current notional. We would like to point out that multiple scenarios will change the notional fields such as a refix, increase, novation or corporate action. We suggest ESMA clearly define how these should be represented along with the action types to ensure that participants understand how to populate these fields under all scenarios in a consistent manner across the market for each product.
- Report Tracking Number (Table 2 Field 13) – DDRL believe this is good adaptation of the previous field and would look to ESMA to clarify that Reporting Counterparties can use this field to link together components reported under strategies such as various legs of straddles and strangles and potentially packaged trades executed on venues.
- Fixed Rate Payment frequency and Floating rate Payment Frequency (Table 2 Fields 43 & 44) – DDRL fully support the values proposed in these fields which reflect the market standards and also allow harmonization of such reporting globally. We would also like to ensure that the market standard term of “T” is an acceptable value as this shows the payment being at the term of the trade.
- Action Type (Table 2 Field 73) – DDRL fully support the adaptations made to this field with the introduction of the “Position Component” allowing the reporting of ETD trades for New and Compressed under the current reporting. We would also recommend using the industry wide terminology of “Termination” instead of the current value “Cancel”. It would also bring further clarity on the data reported if further action Types be added to describe certain intrinsic events such as Novation and Partial Termination reflecting the way the market is working.



5. 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.

Please note that all field numbers have been made in reference to the proposed tables as laid out in Annex IV and V of the Consultation.

DDRL support the addition of the new fields as specified in Annex IV and V. we would recommend further clarification be provided on the below fields as we see they will cause issues upon commencement of reporting them:

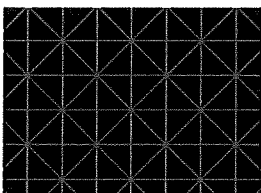
- Currency of Price (Table 2 Field 18) – For OTC FX trades we would recommend inputting the exchange rate pair as only having 1 currency for this asset class will make this field meaningless or it can be left blank and taken from the Exchange Rate Basis (Table 2 Field 51).

DDRL would recommend to ESMA that for Exchange Traded Derivatives to be reported as a position with value “P” in Table 2 Field 74 that certain fields do not have to be reported due to the multiple values that will have to be populated as such would not be meaningful if they had been reported. The fields recommended to be left blank in this case are:

- Broker ID (Table 1 Field 9)
- Directly Linked to Commercial Activity (Table 1 Field 15)
- Venue of Execution (Table 2 Field 14)
- Price / rate (Table 2 Field 16)
- Price Notation Type (Table 2 Field 17)
- Currency of Price (Table 2 Field 18)
- Master Agreement Type (Table 2 Field 30)
- Execution Timestamp (Table 2 Field 25)
- Effective Date (Table 2 Field 26)
- Master Agreement Version (Table 2 Field 31)
- Confirmation Timestamp (Table 2 Field 33)
- Confirmation Means (Table 2 Field 34)
- Clearing Obligation (Table 2 Field 35)
- Clearing Timestamp (Table 2 Field 37)

DDRL would recommend adding the below fields, these would further enhance the data quality and harmonisation of data globally:

- Asset Manager ID – LEI of the executing fund manager. This field will allow regulators determine who has executed for the Reporting Counterparty and trade repositories to clearly identify which Asset Manager should see the trade.
- Country of Asset Manager – To help with the Inter TR reconciliation process we request this field is also added to determine if an Asset Manager executing in Europe and reports under EMIR with a fund domiciled outside of the EEA we can determine that this should be reconciled rather than put as a status of exempt from reconciliation.
- Prior Trade ID – to allow the ability of an audit trail for linking Trade IDs up e.g. maintaining the linking on a novated trade between the original that has been terminated and the new trade.



- Credit Derivatives Index Attachment points – to allow the capture of the attachment points traded on Index Tranches for CDS.
- Commodity unit of Measure – to allow for the description of the price in the units of the trade i.e. Barrels, MT, ounces.

6. In your view, which of the reportable fields should permit for negative values as per paragraph 40? Please explain.

DDRL would recommend the below fields accept negative values:

- Table 1 Field 17 'Value of contract'- this will allow the reporting counterparty to indicate whether the contract is at a profit or loss.
- Table 2 Field 16 'Price/rate' – to allow for negative spreads to be input

We would ask ESMA to clarify in its documentation that the notional fields should not be negative values and should be absolute values and used in conjunction with Table 1 Field 14 'Counterparty Side'. This is due to some participants currently populating the notional field with a negative value and indicating the Counterparty Side as a Buyer when they are actually a Seller.

7. 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.

DDRL would recommend having this information incorporated into the information stored by the LOU for the LEI. This will allow for a static data source rather than having to ensure this is populated on every trade. For those non financials it should be expected that only the main category of the reporting counterparty be reported. This field should only be populated for those Reporting Counterparties using a client code.

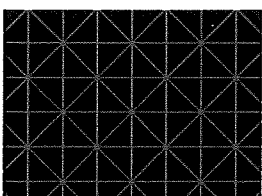
8. Do you envisage any difficulties with the approach described in paragraph 45 for the identification of indices and baskets? Please elaborate and specify what would be the most practical and industry consistent way to identify indices and baskets.

DDRL believes for baskets that have been traded on exchange these do not need to be decomposed and reflect the components as the information will be defined in the static data from the exchange under their unique identifier for the Basket. Also, as Indices are standardised products we would see the same to be true. For OTC off exchange Baskets this would be extremely challenging and we would advise not going requiring such granular reporting.

9. Do you think the introduction of the dedicated section on Credit Derivatives will allow to adequately reflect details of the relevant contracts. Please elaborate.

DDRL agrees these additional fields will bring further clarity to the Credit Default Swaps reported.

- Seniority – DDRL agree this would provide a more granular view of the traded contract.
- Coupon -The addition of the coupon field will bring clarity to the value that reporting parties should populate in the price rate field for Standard CDS contracts as the actual execution price and not the coupon.
- Date of last lifecycle event –please define what is meant by 'lifecycle event' as each event is currently provided as a separate event and using the action types as specified in Table 2 Field 73 'Action type'.



Is the expectation for partial terminations Table 2 Field 28 'Termination date' will be populated or should this be a modify event? Clarification is necessary on this point.

- Series – DDRL would recommend also allowing the version number in this field of the series as well or creating a separate field for the version as due to fact that for certain forms of credit event there can be various index versions of a series.
- Index Factor – DDRL agree this would be a beneficial field.

DDRL would also recommend that for Index Tranche trades, 2 new fields should be introduced for the attachment and exhaustion points to provide the necessary granularity for these types of Index trades.

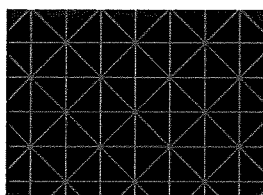
10. The current approach to reporting means that strategies such as straddles cannot usually be reported on a single report but instead have to be decomposed and reported as multiple derivative contracts. This is believed to cause difficulties reconciling the reports with firms' internal systems and 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 need? What sorts of strategies could and should be identified in this sort of way?

DDRL do not believe that reporting of strategies as a single report should be allowed as reporting in this way does not show the granularity of the traded product which is generally multiple single leg trades. Normally, each of the strategies is decomposed in participants systems and confirmed and settled in the separate components. We would recommend that when reporting the strategies participants should use Table 2 Field 13 'Report tracking number' as a way of linking each of the components of the strategy together. It should be noted that some structured products do include strategies in the product but these are generally confirmed as one product and risk managed as such. In these instances DDRL would recommend maintaining the globally consistent method of reporting these as "exotic" products and thereby a single trade

11. Do you think that clarifying notional in the following way would add clarity and would be sufficient to report the main types of derivatives:

- a. In the case of swaps, futures and forwards traded in monetary units, original notional shall be defined as the reference amount from which contractual payments are determined in derivatives markets;**
- b. In the case of options, contracts for difference and commodity derivatives designated in units such as barrels or tons, original notional shall be defined as the resulting amount of the derivatives underlying assets at the applicable price at the date of conclusion of the contract;**
- c. In the case of contracts where the notional is calculated using the price of the underlying asset and the price will only be available at the time of settlement, the original notional shall be defined by using the end of day settlement price of the underlying asset at the date of conclusion of the contract;**
- d. In the case of contracts where the notional, due to the characteristics of the contract, varies over time, the original notional shall be the one valid on the date of conclusion of the contract.**

DDRL would strongly recommend that ESMA engage with trade or industry organisations to propose a consistent approach on notional calculations that can be applied in Europe and other jurisdictions equally.



We would ask that ESMA during these discussions to take into consideration the below supplementary comments.

We would like ESMA to clarify that for trades with amortising notional schedules that only the original and current notional values be populated and not the full schedule. This will require participants to amend the reports of the trades over the life of a trade. This will also allow for the trades to be aggregated showing the current outstanding notional values by counterparty or contract type as examples.

DDRL believe that for Exchange Traded Derivatives the initial terms of the contract do not change therefore the proposed new field "Actual Notional" will not be applicable to ETD for both Transactions and Positions for futures and option products traded on an exchange. The "Original Notional" is populated for both Transactions and Positions. The common ETD practice is to value the contracts at Position level not at Transaction level and subsequently the value of the contract is reported at the end of day at position level.

