

February 28, 2014

Comment on *Feasibility study on approaches to aggregate OTC derivatives trade repository data* published by the Financial Stability Board

Japanese Bankers Association

We, the Japanese Bankers Association, would like to express our gratitude for this opportunity to comment on *Feasibility study on approaches to aggregate OTC derivatives trade repository data* published by the Financial Stability Board (the “FSB”). We respectfully expect that the following comments will contribute to your further discussion on this issue.

1. Consultation Paper P.15 3.2 d)

As an example of a case where double counting of derivatives trade data may occur, the Consultation Paper illustrates an instance of varying reporting requirements being established across national authorities. In addition to such an example, double reporting may involve a following practical issue for a reporting institution to report to relevant national authorities.

- Trade execution data for derivatives managed on a global basis (including globally-managed CSA collateral data) is in general managed based on “netting sets” that are globally netted. Consequently, the reporting of pre-netting trade information by location may not necessarily represent the actual picture of credit risk, and moreover such reporting may lead to a risk of double-counting.

This issue can be resolved by taking an action, for example, collectively reporting globally-managed trade data from the parent company and head office responsible for global management (reporting at a location level is not required). It is therefore requested to consider avoiding the above double-counting issue by harmonising the reporting requirements across national authorities.

2. Consultation Paper P.35 5.5.2

The Consultation Paper propose the following approaches, stating “Standardisation can arise at two different points [...] **Upstream** of each TR by elaborating common standards for reporting to TRs in the first place and **Downstream** from TRs by using a translation mechanism to aggregate and share data originally provided in different formats”. The latter approach is viewed as complementary to the upstream aggregation. Considering the idea underlying the Consultation Paper as noted in Preface p.ii “the aggregation options are being considered on the basis that they would complement, rather than replace, the existing operations of TRs and authorities’ existing direct access to TR data”, it is

requested to adopt the latter approach that does not require an additional action by private financial institutions.

Further, the Consultation Report identifies the following data elements for data standardisation purposes: (i) Counterparty identifier (LEI: Legal Entity Identifier), (ii) Product identifier/product identification taxonomy (UPI: Unique Product Identifier) and (iii) Transaction/trade identifier (UTI: Unique Transaction/Trade Identifier), and further states that the standardisation of (ii) UPI and (iii) UTI across markets and geographies has lagged behind the development of counterparty identifiers (i.e. the LEI), and are not yet available on a global basis.

To achieve harmonisation of data standardisation for complicated trade data such as derivatives, it is essential to develop a data dictionary and taxonomy, and establish a data maintenance/governance system in order to enable medium- to long-term use of data on a global basis. Therefore, measures and approaches proposed in the Consultation Report should be promoted based on a medium-to long term plan agreed with private financial institutions so as to avoid any additional cost being incurred on private financial institutions for taking any short-term and ad-hoc actions.

3. Consultation Paper P.40 Chapter 6 (Question 3 raised in the Press Release of the Consultation Report)

The Consultation Report proposes a list of criteria to assess the different options for data aggregation from the following four aspects: (i) uses, (ii) legal, (iii) data and (iv) technology. These criteria, however, do not cover costs that may incur on private financial institutions and the period required for them to comply with the reporting and aggregation requirements. Given that the reporting requirements of OTC derivatives trade data are already implemented in major national authorities, the above criteria “cost” and “period required” should be added.

4. Consultation Paper P.42 Chapter 7 (Question 4 raised in the Press Release of the Consultation Report)

Instead of uniformly developing data aggregation options on a global basis, an alternative approach should be considered; for example, allowing each national authority to define aggregation options on a reporting financial institution-basis or reporting product-basis, or combination of these, taking into account the volume of derivatives traded by reporting financial institutions, their business type/sizes and other factors.

5. Question 5 raised in the Press Release of the Consultation Report

The disclosure of the trade data to the markets should be limited to the transaction volume subject to aggregation. Any information that may allow users of information to infer the name of the reporting financial institution, the name of a counterparty, exposures held by the reporting financial institution,

and its operation policy should not be disclosed. If aggregated data is to be disclosed, pre-hearing should be conducted with participants of a transaction or other stakeholders in a sufficient manner so as to avoid causing any adverse impact on the pricing mechanism of markets, etc.