

May 27, 2014

Comments on *Review of Swap Data Recordkeeping and Reporting Requirements*  
issued by the Commodity Futures Trading Commission

Japanese Bankers Association

We, the Japanese Bankers Association (JBA), would like to express our gratitude for this opportunity to comment on *Review of Swap Data Recordkeeping and Reporting Requirements* issued on March 26, 2014 by the Commodity Futures Trading Commission (the "Commission").

We respectfully expect that the following comments will contribute to your further discussion on this issue.

I. Confirmation Data

Comment 1: Definition of confirmation data (Q1)

Confirmation data is defined as "all of the terms of a swap matched and agreed upon by the counterparties in confirming the swap." This, however, does not provide a clear definition, and hence it is requested to further specify what information should be reported.

Since the regulatory objective of this reporting requirement is not to reconstruct a swap transaction entered into by a market participant based on reported data, regulators can obtain information at a sufficient level to understand the state of a transaction even if the required scope of reporting data elements is reduced. Therefore, it is not considered necessary to report "all of" the terms of a swap.

We understand that the overarching objective of reporting to swap data repositories (SDRs) is to maintain current, accurate, and complete data regarding swaps with an aim to identify and monitor risks arising from the swaps.

We believe that elements to be reported as confirmation data should be limited to those necessary to satisfy the above objective, and should not include those that may impose excessive burden on market participants. For example, even if elements to be reported as confirmation data were limited to "Minimum Primary Economic Terms (PET) Data" as defined in Appendix 1 of 17 CFR Part 45 "Swap Data Recordkeeping and Reporting Requirements," the purpose of this requirement could

still be fulfilled.

Comment 2. Different data elements for different reporting entities (Q2 and Q3)

Since unduly increasing the reporting burden on market participants should be avoided, we support the proposal to require different data elements for swaps centrally cleared and reported by derivatives clearing organizations (“DCOs”) and those executed and reported by swap execution facilities (“SEFs”), from those elements for swaps reported by market participants designated as the reporting entity to a transaction.

II. Continuation Data

Comment 3. Reporting of linkage of swaps (Q6)

While reporting the linkage of swaps is technologically difficult, the benefits of capturing such linkage are not considered to be significant. Therefore, this should not be included in the required data elements.

As mentioned in Comment 1 above, we understand that the overarching objective of reporting to SDRs is to maintain current, accurate, and complete data regarding swaps with an aim to identify and monitor risks arising from the swaps.

This objective can be achieved by reporting current and accurate swap information available as of the reporting date, and recording and maintaining that information at SDRs. Therefore, data on linkage of swaps is not considered to be significant information.

Many financial institutions currently manage the linkage of swaps by leaving a record in the comment field of manuals or systems. Considering the additional investment required to report swap linkage data and the usefulness of such information, the benefits of reporting this data element are outweighed by the costs, and requiring reporting of such data elements may give rise to undue burden on market participants.

Comment 4. Valuation data reporting by market participants (Q8)

We consider it sufficient to require only DCOs to report valuation data for centrally cleared swaps, and requiring reporting of such data may be excessively burdensome for market participants. Therefore, such data reporting should not be required separately for market participants.

Since market participants exchange margin based on the valuation data calculated by DCOs, reporting of such valuation data to regulators by DCOs is considered to suffice for the purpose of

their supervisory activities.

Comment 5. Valuation data reporting by end users (Q8)

Since not all end users have an ability to independently calculate valuation data, and the burden placed on end users will ultimately be passed on to financial institutions, reporting of valuation data should not be required to end users.

Comment 6. Treatment of unique swap identifiers in case of amendment of swap (Q9 and 51)

It is technologically difficult to clearly define the events requiring a change to individual unique swap identifiers (USIs) and those not requiring such a change, and to assign and report a new USI only upon occurrence of an event requiring a change to a USI.

For example, in a case where an existing transaction is cancelled in the system due to an amendment and the amended swap is treated as a new transaction, it is requested that the Commission allow a new USI to be assigned to the amended transaction recognized in the system as a new transaction, rather than carrying over the USI of the cancelled swap.

As mentioned in Comment 1 above, we understand that the overarching objective of reporting to SDRs is to maintain current, accurate, and complete data regarding swaps with an aim to identify and monitor risks arising from the swaps.

Even if, in the above example, a different USI is assigned to the swap before and after amendment, such treatment is considered to be sufficient from the perspective of meeting the above objective, considering the uniqueness of USIs and the fact that current and accurate swap data is reported to SDRs.

III. Transaction Types, Entities and Workflows

Comment 7. Reporting method for a bespoke, exotic or complex swap (Q16)

A method of disaggregating a bespoke, exotic or complex swap into multiple transactions and reporting these disaggregated transactions should be permitted. Such types of transactions are generally managed by disaggregating into standardized transactions for internal position management purposes. While a bespoke, exotic or complex swap should normally be reported as a single transaction, it is requested that such disaggregated-based reporting in alignment with position management practices also be allowed in cases in which reporting of such transactions as single swaps is technologically difficult.

As mentioned in Comment 1 above, we understand that the overarching objective of reporting to SDRs is to maintain current, accurate, and complete data regarding swaps with an aim to identify and monitor risks arising from the swaps.

This objective would still be met even if such reporting is permitted because the risks market participants are exposed to are appropriately reported by market participants in alignment with position management practices.

#### IV. PET Data and Appendix 1

##### Comment 8. Use of same USI by both counterparties (Q28)

We understand that use of the same USI by both counterparties is critical for reporting purposes. This however should not be included in the reporting requirements until appropriate infrastructure is established across the industry.

Particularly for FX products, the practice of exchanging data between counterparties and using the same USI has not been fully established. Establishing a practice for counterparties to share the same USI for all swap transactions entails system investments by individual counterparties and the development of industry-wide infrastructure, so sufficient lead time is needed to meet this requirement.

##### Comment 9. Reporting based on the hierarchy of reporting counterparties (Q28)

Given that reporting is not appropriately conducted in accordance with the hierarchy for determining reporting counterparties, all transactions should be permitted to be reported by both counterparties to ensure the completeness of transactions to be reported, regardless of such hierarchy. We recognize that there is an industry-wide challenge for one counterparty to report a transaction as the reporting counterparty based on such hierarchy. Particularly for FX products, infrastructure that enables every counterparty to report in accordance with such hierarchy has not yet been established. Accordingly, sufficient lead time and system investments are needed to meet this requirement.

The risk arising from differences in details of reporting by both counterparties is considered to be sufficiently reduced by portfolio reconciliation.

##### Comment 10. Reporting of collateral information (Q32)

Since collateral information is one of the technologically challenging reporting elements, requiring this as additional data elements should be postponed for the time being.

Under current practices, the exchange of collateral is determined based on complicated conditions defined by counterparty and by transaction. Accordingly, collateral data is deemed to be an element for which accurate reporting is difficult in practice.

As a certain level of standardization of collateralization will be promoted once the margin rules are implemented, required reporting elements should be determined in a manner to ensure consistency with such margin rules.

#### V. Other SDR and Counterparty Obligations

##### Comment 11. Reporting of continuation data with no PET data change (Q48)

When continuation data is reported through lifecycle event data reporting, it should be clarified that events that do not require a change in PET data may also be reported provided that changes in PET data are reported properly.

Under current practices, there are not many market participants that report continuation data only when PET data is changed. Events that do not require changes to PET data are often also reported because the accuracy of reporting data is ensured by automatically re-creating and transmitting the data whenever any changes are made to data.

As mentioned in Comment 1 above, we understand that the overarching objective of reporting to SDRs is to maintain current, accurate, and complete data regarding swaps with an aim to identify and monitor risks arising from the swaps. To this end, the accuracy of data may be ensured by updating continuation data whenever there is a change to transaction data.