

December 6, 2024

The Regulatory Oversight Committee (ROC) Secretariat



Japanese Bankers Association

**Comments on the ROC's consultation on the Revised CDE Technical Guidance (Version 4)**

Dear Regulatory Oversight Committee:

We, the Japanese Bankers Association (JBA), would like to express our gratitude for this opportunity to comment on the *Revised CDE Technical Guidance (Version 4) Consultative Document* ("Proposed Guidance") published by the Regulatory Oversight Committee (ROC) in October 2024. We respectfully expect that the following comments will contribute to your further discussion.

**[General Comments]**

We would like to express our respect to the ROC's efforts to further improve the data quality of OTC derivatives transactions by providing clarifications and additions to the CDE, thereby promoting global data aggregation.

However, as some major jurisdictions have just implemented the regulation in accordance with the CDE Technical Guidance (Version 3), further complication and segmentation in the definition of data elements in a short time span would impose excessive burden on market participants. As a result, the system development and allocation of human resources for this purpose may affect the accuracy of the transaction reporting.

Therefore, we respectfully expect that the ROC will only revise the Guidance to the those data elements that are truly necessary from the perspective of systemic risk mitigation, market monitoring, and other related factors, based on our and/or other market participants' feedback.

In the following section, we provide our comments on each of the questions provided in the Proposed Guidance, but omit those questions for which we do not have a specific comment.

Additionally, we respectfully request that the ROC and/or each national authority explain how they compile and analyse globally collected data to facilitate smooth communication between regulatory authorities and regulated market participants.

[Comments on Specific Questions]

• **2.1.6. Maturity date of the underlying derivative**

Q4:

Additionally, ROC is considering using this data element more broadly to obtain the information about the maturity date of the underlying derivative at the leg level such as when a leg references a futures contract.

Do you have any comment on this proposal? Are there any other use cases that should be covered under this field?

**(Comment)**

We understand “Maturity date of the underlying” is required to be reported only for swaptions in the U.S., Europe, and Japan. Broadening the scope of transactions subject to reporting should not be implemented as it would place a heavy burden on financial institutions for additional system development. In Europe and Japan, competent regulatory authorities can obtain the information on the underlying assets through certain data elements, such as “Underlying identification”. Although such data elements do not directly describe the maturity date of underlying assets, we supposed these elements provide sufficient information for regulatory authorities to obtain the information on the maturity date of those.

• **2.2.2. Counterparty 1 identifier type indicator**

Q6:

The purpose of this data element is to identify whether an LEI is used for data element Counterparty 1 (Reporting Counterparty).

Do you have any comments for this field?

**(Comment)**

Trade repositories should be able to identify whether an LEI is used through “Counterparty 1 (reporting counterparty)”. Therefore, it would be unnecessary to add this data element.

• **2.4.4. Clearing member type indicator**

Q9:

The purpose of this data element is to identify whether an LEI is used for data element Clearing member.

Do you have any comments for this field?

**(Comment)**

As mentioned in our comment to Q6, it would be unnecessary to add this data element because trade repositories should be able to identify whether an LEI is used through “Clearing member”.

- **2.6.3. Valuation timestamp**

Q13:

According to the feedback received from some market participants it is not clear whether valuation timestamp should be based on “calculation timestamp” or “input pricing timestamp”.

Should ROC review the definition to specify that this data element refers to the calculation timestamp?

Do you foresee any issues with this approach?

**(Comment)**

Valuation timestamp should be reported based on the time of valuation determined by respective financial institutions. Accordingly, reporting based on “calculation timestamp” and reporting based on “input pricing timestamp” should both be allowed.

- **2.7.2. Collateral portfolio code**

Q14:

Should this data element be separated into two, one for initial margin, one for variation margin? If you think that two separate portfolio codes for IM and VM should be reported, could you provide business cases where it is needed?

**(Comment)**

We support the ROC’s proposal. In the Japanese trade reporting regulation, IM and VM are already reported as separate data elements.

- **2.7.2. Collateral portfolio code**

Q15:

Currently, the CDE TG does not require collateral portfolio codes to be reported consistently between counterparty pairs. Consistent collateral portfolio codes reported by both sides of the transaction would facilitate reconciliation of margin data in the jurisdictions with double-sided reporting.

Do you agree with the approach to require the same collateral portfolio codes to be reported by both sides?

In what manner can consistent collateral portfolio codes be adopted between counterparties? Should an international standard, such as the UTI or LEI be developed in this context?

**(Comment)**

Given that the volume of collateral data is an extremely small part of the overall transaction reporting and that the counterparties’ LEI information is reported, margin data can be reconciled based on currently-reported data elements.

Further, consistent reporting of collateral portfolio codes between counterparty pairs would require

the establishment of a new coding system, which will impose a heavy burden. Therefore, the ROC should carefully consider whether this approach is truly necessary.

- **2.7.20. Collateral timestamp**

Q20:

The purpose of this data element is to inform authorities the date and time of the last margin update. If a reporting party missed reporting collateral for any day they need to be able to indicate what date the reported collateral applied to. Some authorities may decide to require only the date, without a time portion. Do you have any comments on this data element?

Do you foresee any challenges with reporting this element (if so, please specify)?

**(Comment)**

As financial institutions use multiple rates to update margin valuation, it would not be feasible to report a single valuation time. Additionally, the practice of reporting calculation time may vary among reporting counterparties. Therefore, it is preferable to report the date element only, as introduction a time portion would impose a heavy correspondence burden on financial institutions without providing useful data.

- **2.9.14. Single barrier level**

Q22:

ROC proposes to add data elements 2.9.14., 2.9.15., 2.9.16. to allow for a more accurate reporting of barrier options.

Do you have any comments with regards to the proposed definitions? Are there any other elements that would be helpful in capturing the characteristics of barrier options?

**(Comment)**

Adding data elements specific to certain transactions as CDE is not considered to be meaningful from a systemic risk assessment perspective and would only increase the burden on financial institutions. We suppose that the “Strike price”, currently-reported CDE data element, could capture the information on barrier options, without adding these new data elements.

- **2.9.25. Option premium schedule - option premium amount on associated payment date**
- **2.9.26. Option premium schedule - option premium payment date**

Q23:

The purpose of data elements 2.9.25. and 2.9.26. is to allow authorities to better understand the premium of options and swaptions with option premium schedules.

Do you have any comments or concerns on these proposed data elements?

**(Comment)**

From a systemic risk assessment perspective, it is sufficient to report the total amount of the option premium. Furthermore, the risks of options can be captured by reporting “Delta”. Therefore, it would be unnecessary to add this data element.

- **2.10.2. Delta**

Q25:

Should ROC add clarification that reporting of delta is applicable only to options, swaptions, and other option-life instruments?

**(Comment)**

It is desirable that the definition of “Delta” be revised to clarify applicable transactions, if the clarification is considered to contribute to minimising inconsistencies in reported data across jurisdictions. However, the revision of the definition should be limited to “clarifying applicable transactions”. We are concerned that some market participants would be overburdened with additional system development if the details of the formula of “Delta” are strictly defined in the process of considering the revision of the definition by the ROC.

- **2.10.3. Call amount**

Q26:

Originally, this field was included in the CDE to enable unambiguous reporting of notional amounts for foreign exchange options. In response to industry feedback, ROC is considering expanding the scope of this data element to cover options for all asset classes.

Could you provide examples where this field would be useful for options that’s not foreign exchange?

**(Comment)**

Since we do not believe that there are any other insightful examples than foreign exchange options, we suppose that it is sufficient to apply this field to foreign exchange options only. In a foreign exchange transaction, the currency is different depending on a leg. Therefore, it is understandable to require separate reporting of Call and Put.

- **2.10.4. Put amount**

Q27:

Originally, this field was included in the CDE to enable unambiguous reporting of notional amounts for foreign exchange options.

In response to industry feedback, ROC is considering expanding the scope of this data element to cover options for all asset classes.

Could you provide examples where this field would be useful for options that's not foreign exchange?

**(Comment)**

The same comment as in our comment to Q26.

- **2.10.6. Call currency**

Q28:

Originally, this field was included in the CDE to enable unambiguous reporting of notional amounts for foreign exchange options.

In response to industry feedback, ROC is considering expanding the scope of this data element to cover options for all asset classes.

Could you provide examples where this field would be useful for options that's not foreign exchange?

**(Comment)**

The same comment as in our comment to Q26.

- **2.10.7. Put currency**

Q29:

Originally, this field was included in the CDE to enable unambiguous reporting of notional amounts for foreign exchange options.

In response to industry feedback, ROC is considering expanding the scope of this data element to cover options for all asset classes.

Could you provide examples where this field would be useful for options that's not foreign exchange?

**(Comment)**

The same comment as in our comment to Q26.

- **2.15.1. Underlier ID (Other)**

Q32:

This data element is updated to further specify the allowable values.

This is not an exhaustive list and other reference underliers may be used.

Do you have any comments or concerns on the proposed amendment?

**(Comment)**

If implemented, this revision would require reporting counterparties to newly create a list of Underlier ID data, which would impose a heavy burden. In addition, it is doubtful that the effectiveness of introducing the revision, as the number of applicable cases is limited. Therefore, the allowable values should not be changed.

- **2.15.2. Underlier ID (Other) source**

Q33:

This data element is updated to further specify the allowable values.

Do you have any comments or concerns on the proposed amendment?

**(Comment)**

The same comment as in our comment to Q32.

- **2.16.1. Action type**

Q34:

While different approaches exist for reporting partial termination events, MODI/ETRM should be reported for partial early termination with notional amount adjustments and early termination with pre-agreed maturity date adjustments.

Do you have any comments or concerns about the proposed approach?

**(Comment)**

Partial terminations do not align with the definition of “ETRM” since notional amount adjustments are made through the normal modification of the contract, instead of a separate “partial termination” contract. Early terminations are usually agreed upon on a postdated basis and what is agreed upon is the early termination and not maturity date adjustments. Therefore, the approach of maturity date adjustments is not considered to be consistent with actual practices.

If the ROC requires market participants to report partial termination events, we request that the definitions of both partial terminations (MODI/ETRM) and partial maturity adjustments (MODI/TRAD) be clarified. (For example, when the delivery of modified portion of the contract is executed within one day, the modification is deemed as a partial termination and if it is delivered on a future date, the modification is deemed as a maturity adjustment.)

- **2.16.1. Action type**

Q35:

In light of the different approaches for reporting valuation and margin corrections, with either using 'CORR' for both types of data or limiting to 'VALU' for valuations and 'MARU' for margins, do you have any comments or concerns about either of the approaches?

**(Comment)**

Since, valuations and margins are generally reported on a daily basis, we believe that updating data by using “VALU” and “MARU” will be more appropriate than correcting reported data by using “CORR.”

(End)