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Submitted via email to cde@iosco.org and cpmi@bis.org

London, November 30th 2016

Consultation Report on *Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) - second batch*

Dear Sirs,

IHS Markit is pleased to submit the following comments to CPMI-IOSCO in response to its Consultation Report on Harmonisation of Key OTC derivatives data elements (other than UTI and UPI) - second batch.

IHS Markit[1] is a leading global diversified provider of financial information services.[2] Founded in 2003, we employ over 4,000 people in 11 countries and our shares are listed on Nasdaq (ticker: MRKT). IHS Markit has been actively and constructively engaged in the debate about regulatory reform in financial markets, including topics such as the implementation of the G20 commitments for OTC derivatives and the design of a regulatory regime for benchmarks. Over the past years, we have submitted more than 150 comment letters to regulatory authorities around the world and have participated in numerous roundtables.

[1] See www.ihsmarkit.com for more details

[2] We provide products and services that enhance transparency, reduce risk and improve operational efficiency of financial market activities. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. By setting common standards and facilitating market participants' compliance with various regulatory requirements, many of IHS Markit's services help level the playing field between small and large firms and herewith foster a competitive marketplace. For example, IHS Markit's KYC Services provide a standardized end-to-end managed service that centralizes "Know Your Client" (KYC) data and process management.

Introduction

IHS Markit's derivatives processing platforms are widely used by participants in the OTC derivatives markets today and are recognised as tools to increase operational efficiency, reduce cost, and secure legal certainty. With globally over 2,000 firms using the various MarkitSERV platforms that process, on average, 90,000 OTC derivative transaction processing events per day they form an important element of the workflow, and also in supporting firms' compliance with several regulatory requirements across jurisdictions. Specifically, the MarkitSERV platforms facilitate the electronic confirmation of a significant portion of OTC derivatives transactions worldwide, submit them for clearing to 16 CCPs globally, and, for many counterparties,[3] report their details to trade repositories ("TRs") in Europe, the United States, Canada, Japan, Hong Kong, Singapore and Australia.

On the basis of our derivatives processing activities we have been directly involved in data standardisation and improvement of data quality efforts of global regulators and the industry. We welcome the publication of the Consultation Report and we very much welcome regulatory and industry efforts that aim to ensure the consistent use of identifiers, including LEIs, UTIs, and UPIs, as well as other relevant data elements.

Comments

We would like to provide comments on certain data elements which do not relate to questions asked in this consultation. Where a comment relates to a question asked we will refer to that question in our comments

2.3 Final settlement date

Q1: With reference to the definition proposed for the data element "final settlement date" (Section 2.3), is it sufficiently clear that the settlement date for options and swaptions is the date on which the option or swaption would settle if it was exercised on the expiry date? If not, should additional language be added to the definition to clarify that?

We believe that the definition of final settlement date is not clear and additional language should be added to clarify the reporting of the final settlement date, for example, with regards to swaptions.

The final settlement date is defined as "The final contractual date on which a derivatives transaction will be or was settled, that is, the actual day (based on UTC) on which transfer of cash or assets is completed." It is not clear from this definition whether the settlement date for a physically exercised swaption would be the date when the swaption is exercised and the underlying swap is created (i.e. the trade date of the underlying swap or the effective date of the underlying swap) or the date on which the

[3] Globally, we currently report transactions to Trade Repositories for over 100 firms and more than 1,000 entities, including most of the large, globally active dealers.

underlying swap is finally settled (the termination date of the underlying swap. Furthermore, even for cash settled Bermudan or American swaptions the final settlement date will not be known until after exercise. If CPMI-IOSCO require the final “possible” settlement date for these products initially followed by the actual settlement date upon final exercise then this should be clarified. Also for the same products where partial exercise and multiple exercises are allowed, there will be multiple settlement dates.

We would therefore suggest amending the definition of final settlement date to read "The final contractual date on which a derivatives transaction will be or was settled, that is, the actual day (based on UTC) on which *all* transfers of cash or assets are completed.” This language would clarify that the final settlement dates refer to the date all settlement arising under a contract is completed.

2.6 Day count convention

CPMI-IOSCO has defined a list of allowable values for the Day Count Convention field. This list of allowable fields is not the same as being currently used in the industry as reporting standards.[4] We recommend that CPMI-IOSCO adopt the industry standard values for this field instead of the proposed codes. This will avoid firms having to undergo unnecessary build to map industry standard values to the proposed codes.

2.11 Counterparty 2

CPMI-IOSCO has proposed that the LEI should be used to identify Counterparty 2 and should be reported in the Counterparty 2 field. CPMI-IOSCO should be conscious that there are reporting regimes which do not mandate the use of an LEI for counterparties in-scope of the respective reporting regimes. In such cases, the obligation would be on Counterparty 1 (reporting counterparty) to ensure that the Counterparty 2 has an LEI which reporting counterparties cannot directly enforce.

Also, investment trusts are not legal entities and therefore cannot currently have an LEI. Therefore we propose that for counterparties without an LEI an alternative identifier be used. Currently various regulators have different hierarchies of identifiers that are acceptable, with the last resort being a full name. We would welcome a global standard hierarchy to be used across all regimes with LEI being the first identifier in this hierarchy. We would also welcome LEIs supporting branches.

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[4] Defined by 2006 ISDA Definitions which is implemented by the FPML coding scheme for Day Count Fraction:
http://www.isda.org/publications/isda2000def-annex-sup.aspx#2006defs
http://www.fpml.org/coding-scheme/day-count-fraction-2-2.xml

2.19 Booking location of counterparty 1

Q6: With reference to the data element "booking location of counterparty 1" (Section 2.19), is it clear that the location where the transaction is booked for counterparty 1 refers to the location where profit and losses are allocated (be it the location of the headquarters, domestic branch or international branch)?

We do not understand what CPMI-IOSCO is attempting to solve for here; jurisdictional nexus remains a complex area with various regimes having different inputs including; book, desk, P&L, sales location and trader location. We believe further work is needed to harmonise nexus related fields as a group of fields.

2.24 Option Premium

CPMI-IOSCO's proposed standards for reporting Option premium precludes reporting 'Zero' as an allowable value. We believe that it is possible for an Option to have a zero premium and as such CPMI-IOSCO should allow the field to be populated as Null or 0 even when the transaction type is an Option. For example, an option strategy with a net zero premium, or options created by novation where any premium would be payable between the original parties and then by the transferor and transferee upon novation leaving the new transaction between the remaining party and the transferee with no premium.

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We hope that our above comments are helpful. We would be more than happy to elaborate or further discuss any of the points addressed above in more detail. If you have any questions, please do not hesitate to contact us.

Yours sincerely,

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