Swap and Trade Repositories: Data Standards and Data Gaps

Commissioner Scott D. O’Malia
U.S. Commodity Futures Trading Commission
January 23, 2014
SWAP DATA REPOSITORIES: WHAT WE CAN SEE

• Gross Notional Outstanding by Cleared Status

<table>
<thead>
<tr>
<th></th>
<th>December 6</th>
<th>December 13</th>
<th>December 20</th>
<th>December 27</th>
<th>January 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Interest Rate</td>
<td>330,112,957</td>
<td>370,754,708</td>
<td>368,660,208</td>
<td>367,274,928</td>
<td>342,535,726</td>
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<tr>
<td>Cleared</td>
<td>200,134,924</td>
<td>224,495,803</td>
<td>224,410,384</td>
<td>223,388,590</td>
<td>199,536,842</td>
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<tr>
<td>Uncleared</td>
<td>129,978,033</td>
<td>146,258,905</td>
<td>144,249,824</td>
<td>143,886,338</td>
<td>142,998,884</td>
</tr>
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• Gross Notional Outstanding by Participant Type

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<thead>
<tr>
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<th>December 27</th>
<th>January 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Interest Rate</td>
<td>660,225,913</td>
<td>741,509,415</td>
<td>737,320,415</td>
<td>734,549,856</td>
<td>685,071,453</td>
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<tr>
<td>SDs and MSPs</td>
<td>557,778,712</td>
<td>633,677,555</td>
<td>621,218,071</td>
<td>619,220,188</td>
<td>570,264,153</td>
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<tr>
<td>Other</td>
<td>102,447,202</td>
<td>107,831,860</td>
<td>116,102,345</td>
<td>115,329,668</td>
<td>114,807,299</td>
</tr>
</tbody>
</table>
WHAT SHOULD WE BE ABLE TO ACHIEVE?

IOSCO January 2012 Report on OTC Data Reporting and Aggregation

- Assess systemic risk
  - Bilateral portfolio exposure
  - Assess concentration & contagion risk and correlated asset exposure

- Conduct market surveillance

- Enforcement

- Supervision of market participants

- Carry out resolution authorities

- Increase transparency of OTC markets
CFTC OVERSIGHT CHALLENGES

- **HARMONIZE DATA**: Revise rules / improve SDR coordination

- **AGGREGATION**: Can the CFTC accomplish this effectively by using four SDRs? What are the challenges?

- **SDR PORTALS**: Are these optimal? What changes should be made to improve access to data?

- **HARDWARE / SOFTWARE**: What are technology requirements by Division (schedule and cost)?
  - High hopes for CFTC Strategic Plan

- **STAFFING**: Do we have the right skills and in the right offices? What are top priorities? Can we leverage OFR staff?
RULE-RELATED CHALLENGES

➤ INCONSISTENCY IN REPORTING

- **Asset Taxonomy**: Without UPI or industry standards, inconsistencies undermine analytical capabilities

➤ REPORTING WORKFLOW

- Who is reporting to which SDR and how is this being verified? Is the data accurate? Can the CFTC identify the complete trade in the data?
- $55 Trillion Gross Notional Error in January 2014 Swaps Report
- Embargo Rule: A registered SEF slowed screen display by 500 ms (1/2 sec) to accommodate SDR reporting

➤ OVER/UNDER COMPLIANCE
DIVISION STATUS REPORTS: DATA UTILIZATION

- **Market Oversight:** Drafted rules and oversee SDRs and SEFs, but what level of compliance with our rules is observed?
  - **Surveillance**—Lack of harmonization requires independent verification to determine data validity

- **Clearing & Risk:** Can we determine whether the mandatory clearing mandate is being met?
  - What about a collateral ID for uncleared trades (ESMA)?

- **Chief Economist:** Swaps report only provides data on 2 of 5 asset classes
INTERNATIONAL COORDINATION

- Will the U.S. rely on international coordination to share data?
  - U.S. substituted compliance determinations didn’t even consider reporting comparability—despite 12 Feb 2014 start date in E.U.
  - No-action letters expire in March 2014 / December 2014

- What impact will foreign blocking statutes have on U.S. reporting?
  - Without TR data sharing → all non-U.S. SDs must report directly to both U.S. SDRs and E.U. TRs (beginning Feb 2014)

- Does SDR indemnification impede international / domestic sharing of data? DFA § 728 / CEA § 21(d)
DATA SOLUTIONS

- **TAC → Facilitate Standardization of SDR Data Reported to the CFTC**
  - Process must be accelerated (more fields / asset classes)

- **Establish Cross-Divisional Data Team to Fix Rules and Develop Solutions to Improve CFTC’s Analytical Capacity**

- **Re-propose Data Rules: Part 43 (real time reporting), Part 45 (regulatory) & Part 49 (SDR)—also Part 16 (SEF)**

- **Improve Automation (Collection, Verification & Analysis)**
  - SDR access & downloading / SEF audit trail / Swap Reports

- **Identify Divisional Data Priorities and Target Resources**