TAC Subcommittee on Data Standardization
Groups 1 & 3, Recommendations

March 2012

Global markets in clear view

Group 1: Product and Entity Identification: UPI

- Recommend the use of an asset class accepted product taxonomy for Part 43 real-time reporting in lieu of fields listed in Part 43 Table A1. As the use of UPI for Part 43 is optional, ISDA has completed taxonomy definitions for all asset classes that would ensure that required fields are covered for reporting purposes.

- Recommend that UPIs will only be provided for Part 45 reporting, where appropriate. Continue to work with the CFTC in order to get detailed guidance for granularity of UPIs ("standardized" products vs. "exotic") in each of the asset classes. This will further categorize products for systemic risk management until such time that the taxonomy provides sufficient minimum classification.

- Existing Rules of Operations documents are available that govern the change process for OTC taxonomies at ISDA. At this point, for a July 16th implementation date for Credit and Interest Rates, the industry should adopt the ISDA proposed taxonomy to allow for a timely implementation. The taxonomy approach for all asset classes can evolve over time.

- UPIs have a unique appeal for product classification, but the difference in definition and use of a common UPI in Parts 43 and 45 limits the value that a UPI would represent for SDR reporting. In absence of clear guidance on UPI granularity, allow industry infrastructure providers to leverage proxy UPIs until such time as the CFTC can prescribe a more universal approach to product classification.

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- The taxonomy approach serves to categorize OTC asset classes in a meaningful way in the immediate term. We believe that the CFTC should continue dialogue with other regulators to ensure consistent application of the OTC taxonomy recommendations.

- Governance of the steering groups or authors of taxonomy and UPI categorization materials needs additional analysis. Primarily, industry groups have not formally recognized DCO, DCM, SDR, or SEF participation in current classification activities. As these entities will have to adopt and support data transmission activities to one another, a mechanism for dispute resolution will be required.

- Current steering committee guidelines have not previously had to formally acknowledge confidentiality or non-disclosure practices. With a wider range of commercially competitive entities now tasked with participating in a product classification process, new product innovations and timing considerations will have a larger role to play.

Group 1: Product and Entity Identification: LEI

- Recommends support for the Part 45 LEI initiative being coordinated by FSB that leverages the ISO 17442 LEI standard for CFTC reporting. SWIFT, DTCC, and ANNA are developing an industry solution to address the roles of the registration authority, facilities manager, and 3rd party provisioning capabilities for LEIs.

- Recommend the immediate notification and distribution of existing LEI records industry wide, where available.

- Recommend the use of “proxy LEIs” until such time as the industry can fully adopt and support ISO 17442, or for designated Swap Dealers where LEIs don’t yet exist.

- Recommend an appropriate industry integration and testing period in advance of required reporting compliance dates. Integration and testing should allow for a beta phase of no less than 9 months, and a live implementation period with a definitive compliance date.

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- LEIs are consistent with, and are highly correlated to other Dodd Frank initiatives (LSOC, Position Limits). In some cases, the stated compliance dates of related Dodd Frank reporting requirements could pre-empt adoption of a standardized LEI, in favor of proxy LEIs, in order to meet parallel reporting objectives.

- The actual implementation costs associated with the initial development and distribution of the industry solution for LEIs remain unclear.

- It is not entirely clear if there is uniform international support/agreement for the CFTC's LEI approach as foreign and sovereign regulatory mandates, similar in nature to Dodd Frank, are either in draft form, still under discussion, or have yet to begin in earnest. The CFTC should continue to actively push for an international solution, while endorsing a proxy LEI approach for markets under its jurisdiction to allow for sufficient integration and testing time.

Group 3: Semantic Representation of Financial Instruments

- Recommend the continued use of XML based reporting schemas (FpML, FIXML) in order to capitalize on the existing technology and framework investment of the industry for regulatory reporting. The standards available to the industry infrastructure providers, clearing members, and trading entities today are capable of addressing the needs of the industry and regulators with little, if any, technical modification.

- Recommend that any additional/parallel analysis on the implementation impacts of ontological or semantic technology should be deferred until existing Dodd Frank initiatives can mature, and be reviewed for additional efficiencies or capabilities.

- The proposed benefits and opportunities of semantic representation of data appear encouraging with regard to the enhanced classification and analysis of data. However, a proper cost benefit analysis should be done before further investing in this area. A good starting point could be a gap analysis of the reporting infrastructure once it is fully developed by the industry in line with the regulatory requirements. Any attempt to force the use of semantic representation would only serve to complicate the existing reporting requirements.