



55 WATER STREET
NEW YORK, NY 10041-0099

TEL: [REDACTED]
[REDACTED]

February 22, 2016

Brent J. Fields, Secretary
Securities and Exchange Commission
100 F St, NE
Washington, D.C. 20549-1090

Re: Establishing the Form and Manner with which Security-Based Swap Data Repositories Must Make Security-Based Swap Data Available to the Commission
[File No. S7-26-25]

Dear Mr. Fields,

The Depository Trust & Clearing Corporation (“DTCC”),¹ in conjunction with its swap data repository (“SDR”), DTCC Data Repository (U.S.) LLC (“DDR”), appreciates the opportunity to provide comments to the U.S. Securities and Exchange Commission (“SEC” or “Commission”) regarding proposed amendments to Rules 13n-4(a) addressing the form and manner with which Security-Based Swap Data Repositories (“SBSDRs”) must make security-based swap data (“SBS data”) available to the Commission.

DTCC currently operates a SDR provisionally registered with the Commodity Futures Trading Commission (“CFTC”), as well as other trade repositories internationally.² DTCC has been providing regulated trade repository services since the commencement of CFTC swap data reporting in October 2012. For more than three years, DTCC has been expanding its services to support regulatory reporting mandates across the globe, resulting in a client base of over 5,000 firms, including the top 30 global banks. DTCC reports data for more than 100,000 entities globally and holds more than 40 million open derivatives positions.

This experience enables DTCC to provide insights into creating an effective regulatory reporting framework, facilitating the underlying statutory goal of transparency, and avoiding downstream challenges and expenses for market participants. DTCC looks forward to working with the

¹ The Depository Trust & Clearing Corporation (“DTCC”) provides critical infrastructure to serve all participants in the financial industry, including investors, commercial end-users, broker-dealers, banks, insurance carriers, and mutual funds. DTCC operates as a cooperative that is owned collectively by its users and governed by a diverse Board of Directors. DTCC’s governance structure includes more than 300 shareholders.

² DTCC’s global trade repository (“GTR”) service supports data reporting in jurisdictions including Australia, Canada, the European Union, Japan, Singapore, and Hong Kong.

Commission to fully implement a robust and transparent SBS data reporting system as envisioned by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

GENERAL COMMENTS

As the Commission noted in the Final Rule on Security-Based Swap Data Repository Registration, Duties, and Core Principles,³ a significant portion of the benefits of an SDR will not be realized if the Commission obtains direct electronic access to the data stored at an SDR in a form or manner than cannot be easily utilized by the Commission.⁴ Similarly, if the data obtained by the Commission from a single SDR cannot be easily aggregated with that from separate SDRs, or if the data compiled by the Commission cannot be easily aggregated with that from other global regulators, the goal of global transparency in the over-the-counter (“OTC”) derivatives market are frustrated. To that end, DTCC commends the Commission for not attempting to reinvent the wheel, and instead focusing the proposed amendments and request for public comment on leveraging existing industry-developed standards, specifically Financial products Markup Language (“FpML”), that are widely utilized and understood by reporting sides and SDRs.

In the proposed amendments, the Commission has requested comment on twelve interrelated concepts that touch on three ideas: the appropriate standard for use by SBSDRs to make SBS data available to the Commission, the appropriate role of the Commission in implementing and maintaining the standard, and the costs associated with utilization of the appropriate standard.

DTCC currently provides reports to regulators globally in a format known as .CSV, or “comma separated value,” in which tabular data is stored in plain text, with individual fields separated by commas. These reports are fully developed and in routine use, and would be the most cost-effective way for DTCC to provide SBS data to the Commission, were DDR to become a registered SBSDR under the Commission’s rules. The two major benefits of the .CSV format are the ease of use with the reported data by the SDR and the regulator, and the ease of use inputting the data for unsophisticated reporting sides.

DTCC is cognizant, however, of the Commission’s preference for FpML and the eXtensible Markup Language implementation of the Financial Information eXchange messaging protocol (“FIXML”). DTCC believes that—if the Commission opts to move away from .CSV and selects one of the above standards under which direct electronic access is provided by the SBSDRs—FpML is the most efficient and cost-effective standard to choose.

Financial Products Markup Language

DTCC believes that FpML, which is currently being updated to version 5.9 to accommodate regulatory reporting of SBS data to the Commission, is a sufficiently developed standard to

³ Security-Based Swap Data Repository Registration, Duties, and Core Principles, 80 Fed. Reg. 14438 (March 19, 2015).

⁴ Id. at 14474.

support SBS transaction reporting.⁵ Further, the process by which the standard is updated is appropriately flexible and efficient to accommodate future changes that may be required by the Commission or deemed necessary by SBSDRs or reporting sides in the industry.

First developed in 1999 with input from all corners of the industry, FpML has evolved into a universal tool utilized in supporting operational services such as electronic transaction confirmations on all widely-traded OTC derivative products across all asset classes, including SBS transactions. Based on its perspective gained through operating trade repository services around the world, DTCC notes that the vast majority of swaps reported by larger dealers are reported to DTCC using FpML. Currently, no market participants report to DTCC using a proprietary XML representation—all market participants report to DTCC using either FpML or .CSV. In DTCC’s experience, FpML allows for the accurate representation of SBS transactions and the FpML standards process will continue to allow for the accurate representations of SBS transactions in the future in the event of changes by the industry or the Commission’s requirements.

In the proposed amendments, the Commission asked for comment on whether, instead of leveraging current industry standards, a new standard should be created by the Commission or a third-party vendor. DTCC believes the mandated use of a brand new standard is not a viable solution for the industry and would not survive a cost-benefit analysis. SDRs and end users with reporting obligations have spent considerable time and expense working to develop the current FpML standard which, as described above, satisfies the needs of both industry and the Commission. Introducing a new standard would not only result in additional time, labor, and expense, but would also complicate global efforts to harmonize standards. It would be most cost-efficient to have SBS data reported to the SBSDR in FpML and reported out to the Commission in the same format. A requirement that SBS data be reported to the Commission in a schema different than that in which the SDR received the SBS data would be much less efficient and much more costly to the SDR.

Regarding implementation, the Commission has requested comment on instituting a “test phase” for providing electronic access to SBS data utilizing either FpML or FIXML standards, although such request failed to define “test phase.” DTCC strongly supports an initial timeframe utilized to understand, adjust, and perfect the requirements for reporting SBS data using FpML as the selected standard. However, a phase that more closely resembles a trial period—a period at the end of which the chosen standard and the development of its reports could be abandoned—should be avoided.

Role of the Commission

The FpML standard is curated by the ISDA[®] FpML Standards Committee, with the mission of implementing the strategy set out by the ISDA[®] Technology Advisory Board and making

⁵ Neither DTCC nor its subsidiary entities such as DDR currently utilize the FIXML standard. DTCC does not oppose parallel use of the FIXML standard, but believes that the market participants responsible for reporting the majority of SBS transactions would have fewer implementation challenges if FpML were the sole standard required.

periodic determination on the recommendations of the FpML Working Groups.⁶ In addition to four product-related working groups, the Standards Committee has established a working group on Regulatory Reporting with the mission to “further develop and improve the Recordkeeping (Trade Repository reporting) and Transparency (Public reporting) views to provide a consistent technical reporting framework covering regulatory reporting legislation, and rule development in individual (G20) jurisdictions, as well as global data harmonization developments (FSB/IOSCO).”⁷

In order to properly consider the flow of SBS transactions from their creation to their receipt by the Commission, the Commission should take an active role in updating and maintaining the FpML standard, participating in regular dialogue with the Standards Committee and, ideally, joining the Regulatory Reporting Working Group to create and maintain the standard in a manner that mirrors the common data model, as described in the proposed amendments. The more this flow can proceed in a uniform manner using the FpML standard, the more reliable and consistent the information received by the Commission will be. In particular, it is critical that the schema reporting sides use to report SBS data to the SBSDR is the same schema the Commission requires the SBSDR use to make the data available to the Commission.

On validations, the Commission appropriately notes the limitations of validations incorporated into the chosen schema(s). While DTCC supports and practices the use of validations in order to increase the accuracy and usefulness of the data received, validations do not solve all problems around completeness due to the complexity of the products reported, nor do the validations necessarily ensure the SBS data accurately reflects the transaction that took place. DTCC is a firm believer that data quality is everyone’s responsibility, not only the SDR’s and the reporting side’s, but also the Commission’s. The Commission, along with its fellow global regulators, must support and promote global standards that enable market participants and SDRs to establish stronger validation controls, which will allow data providers to implement standards and validations in their own systems to support data quality. Further, regulators should be conscious of the market structure that delivers data to the SDR, and promote policies that will enable SDRs to leverage this information. Firms can then leverage market structure providers and reconcile data to the SDR to ensure accuracy.

Cost Analysis

Currently, DTCC provides information to regulators globally, and to the CFTC domestically, via reports that are fairly standardized in .CSV format. Simply expanding this current practice to provide SBS data to the Commission in .CSV format would be the least expensive option for DTCC.

If DDR applies and is granted registration by the Commission as a SBSDR, DTCC will incur costs well beyond those estimated by the Commission in creating new methods of providing the Commission with transaction data in its chosen format, if different than .CSV. In order to

⁶ The FpML Standards Committee, responsible for making the standard generally available and releasing updated versions, is currently comprised of representatives from both sell-side and buy-side firms, as well as execution facilities, custodians, clearinghouses, and industry utilities, including DTCC.

⁷ See Regulatory Reporting Working Group, <http://www.fpml.org/wgroup/rptwg>.

adequately assess the potential costs, however, DTCC would need additional information and clarity surrounding the functions the Commission would expect the SBSDR to perform, in particular as it relates to the volume of data. For example, on a weekly basis DTCC currently processes more than 80 million messages in the United States, representing roughly 11 million open swap positions. The Commission's determination as to whether it would require the SBSDR to simply pass through the received messages as ingested or to develop logic to aggregate them into their respective open swap positions would dramatically alter the cost calculations for an SBSDR.

Were the SBSDR to act merely as a pass-through of SBS data, costs would, of course be lower on the SBSDR, but perhaps significantly higher on the Commission in terms of building and maintaining a system capable of ingesting and processing these large volumes of data. Were the SBSDR responsible for the aggregation of the messages before reporting the more complete swap record to the Commission, the converse would likely result.

Further, if the FpML standard is deemed appropriate by the Commission, upgrading to version 5.9 will likely be more costly than the proposed amendments contemplate, as it is not anticipated to be backward-compatible with the current version. The window of time necessary for an SDR to upgrade to the most appropriate version of FpML must be considered as well—in DTCC's experience, a minimum of six months is required to plan, communicate, build, test, and implement an FpML upgrade from the time a new version is published. The Commission should be aware that these lag times and associated challenges will inevitably arise and the Commission should plan to be ready to work with the SDRs on setting appropriate compliance timeframes when upgrades become necessary during the life of the reporting regime.

There is an ongoing cost associated with providing reports of any kind to any regulator, and that cost—in the case of these proposed amendments—can be significantly reduced if the Commission aligns finalization of these proposed amendments with the compliance date for reporting. In doing so, the Commission would avoid a situation whereby DTCC, or other potential applicants seeking to become a registered SBSDR, would build a reporting method to the Commission which does not flow from the method by which the data is initially reported to the SBSDR.

Additionally, the Commission can minimize costs to the industry by participating with the ISDA[®] FpML Standards Committee and its working groups, as discussed above. Utilization by the Commission of the existing methods to update and perfect the FpML standard and coordination of the timing of reporting requirements with the ability of the industry to update and adapt to new versions of FpML will keep costs down as well, by allowing the industry to work together toward a specific goal, rather than taking a “square peg, round hole” approach, whereby an imperfect version of the standard may be used simply because it is currently available.

Conclusion

DTCC thanks the Commission for its diligent work in ensuring the SBS data reporting regime is workable and user-friendly for reporting sides, SDRs, and the Commission itself. Through leveraged use of the existing FpML standard and an ongoing commitment by the

Commission to participate in the governance and development of this standard, transparency in the SBS market can be achieved.

Should the Commission wish to discuss these comments further, please contact me at [REDACTED] or at [REDACTED].

Sincerely,

A handwritten signature in black ink, appearing to read "Marisol Collazo". The signature is fluid and cursive, with a large loop at the end.

Marisol Collazo
Chief Executive Officer, DTCC Data Repository (U.S.) LLC