



SWIFT's response to the
U.S. Commodity Futures
Trading Commission

“Draft Technical Specifications for
Certain Swap Data Elements”

23 February 2016

Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581.

23 February, 2016

Dear Mr Kirkpatrick

Re: DRAFT TECHNICAL SPECIFICATIONS FOR CERTAIN SWAP DATA ELEMENTS

SWIFT¹ welcomes the Commodity Futures Trading Commission's ("Commission") Draft Technical Specifications for Certain Swap Data Elements, and we thank the Commission for providing the opportunity to submit comments.

SWIFT supports the Commission's efforts to further standardise the data elements that must be reported under the swap data reporting rules. Efforts to define data elements will, we believe, vastly improve the quality of data submitted, as originally envisioned by the G20², as well as ease the work both of those submitting trade reports, as well as those receiving or examining the same trade reports.

SWIFT has long been a proponent of standardisation and is fully supportive of the Commission's intent to specify reporting standards. Standards have a key role in financial regulation, particularly when regulation concerns financial data. To be effective, such regulation needs to be implemented consistently; however consistency can only be achieved if all stakeholders share the same understanding of the meaning and purpose of that data. This is particularly true when data from multiple entities needs to be aggregated: without consistency at the source, it is impossible to guarantee the validity of data when combined, and potentially unsafe to draw conclusions from it. The more precisely each data element in a report is specified, the more likely it is that implementers of the regulation will submit consistent data – and the easier it will prove for the supervisory community to examine the data.

SWIFT thus particularly appreciates the Commission's intent³ to issue further technical specifications on swap data reporting, specifying the form and manner in which Swap Data Repositories ("SDRs") will be required to make swap data available to the Commission. We especially appreciate that the technical specifications will

¹ SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services. We provide our community with a platform for messaging, standards for communicating and we offer products and services to facilitate access and integration; identification, analysis and financial crime compliance. Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories, enabling them to communicate securely and exchange standardised financial messages in a reliable way. As their trusted provider, we facilitate global and local financial flows, support trade and commerce all around the world; we relentlessly pursue operational excellence and continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies. Headquartered in Belgium, SWIFT's international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT's global office network ensures an active presence in all the major financial centres.

² G20 Leaders Statement: The Pittsburgh Summit - point 13, *Improving over-the-counter derivatives markets*: <http://www.g20.utoronto.ca/2009/2009communique0925.html#system>

³ "Staff expects the development of any technical specifications for reportable swap data elements to be an iterative process. Future technical specifications on swap data reporting are likely to specify the form and manner with which SDRs will be required to make swap data available to the Commission according to schema(s) that will reference international industry standards." "[Draft Technical Specifications for certain swap data elements](#)", page 6.

likely reference international data standards. In its consideration of the specifications on the form and manner in which SDRs should make swap data available, SWIFT would urge the Commission to consider ISO 20022, an open standard now widely being used for reporting purposes.

ISO 20022

ISO 20022 is the open methodology for developing new financial messaging standards and for harmonising existing financial messaging standards. As an initiative of the International Organization for Standardization (ISO), ISO 20022 was conceived to harmonise the fragmented financial standards landscape, and can best be described as a ‘recipe’ for developing financial messaging standards. The main ingredients of this recipe are a development methodology, a registration process, and a centralised, machine-processable “e-Repository”.

The ISO 20022 standard is being embraced by supervisors across the world as a preferred format for data reporting purposes because the data model which lies at the heart of the standard is the ideal reference point to help regulators, market overseers and reporting firms to harvest, aggregate and interpret data which is unambiguous, clear and equivalent irrespective of its source. ISO 20022 is particularly appropriate for use in regulatory initiatives because it is an open and transparently-governed standard that is platform-neutral, and free to access, implement, and extend. It provides a universally agreed language that can be shared by business, legal, and technical experts, greatly simplifying the interpretation and implementation of any regulation defined in that language.

Reporting requirements defined in terms of ISO 20022’s unique conceptual Business Model and Business Process layer allow implementers to understand both the regulated financial concepts, and the contexts in which the regulation is applicable. The rigour and precision of the definitions found in the ISO 20022 business model make it a particularly apt resource to ensure that data elements specified in a regulatory reporting context are interpreted consistently by implementers. Moreover, once the data elements for a business process have been identified, it is straightforward to create a message definition that can be used to transport the data. In these definitions it is possible to distinguish between a baseline set of common details and national or regional additions, facilitating tailored reporting at national levels, as well as consistent reporting at global level.

International Context

Enabling or requiring use of the ISO 20022 standard in the swap data reporting context would help ensure harmonisation within and across the international regulatory community, since ISO 20022 has already been specified in respect of swaps and security-based swap data reporting elsewhere. Its usage in the US swap data reporting context would thus greatly facilitate the exchange of information between regulators across the world, as well as lower the compliance burden for covered entities subject to reporting requirements in both the United States and other jurisdictions.

In Europe, ISO 20022 has been specified for two significant regulations concerning swap and security-based swap data reporting. The updated Markets in Financial Instruments Directive (“MiFID2”), which is due to enter into force in January 2018, will expand on the data reporting regime specified under MiFID1 significantly in both scope and required content. One of the most significant changes between MiFID1 and MiFID2 relates to the reporting standard: in its review of the Directive, the European Securities and Market Authority (ESMA) assessed a number of standards, including FpML, ISO 20022, FIXML and XBRL, and concluded that the ISO 20022 methodology should be adopted for the development of reporting messages. The new MiFID2 obligations will require covered entities to submit their transaction information collected from multiple different sources, to supplement this with the complete information required for the additional data fields and to validate the data before transmission within the deadline set out in the Regulation.

Separately, ESMA is also considering specifying the use of ISO 20022 for the communication of swap and security-based swap trade data between trade repositories and the relevant authorities under the revised EMIR regulation.

ISO 20022 Mapping

We would respectfully encourage the Commission to consider comparing existing ISO 20022 messages against the detailed data elements it has set out in its draft technical specifications. Such an exercise would help address, if not resolve, most of the detailed questions it has set out in the consultation. Should the Commission wish to engage in such an exercise SWIFT Standards group⁴ would be delighted to assist.

SWIFT appreciates the Commission providing the opportunity to comment in this important area. We would be delighted to discuss the matters set out in this submission further with the Commission and would readily make ourselves available to do so, should the Commission be interested.

Yours sincerely,



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⁴ SWIFT plays an important role in standardisation, notably by creating and maintaining financial messaging standards and reference data standards. Use of standardised messages and reference data ensures that data exchanged between institutions is unambiguous and machine friendly, enabling efficient automation and so reducing industry costs and risk. In its role as a financial messaging standardiser, SWIFT's Standards group works with the financial community to define standards for these messages. SWIFT Standards is neutral; most work is done pro-bono, in support of industry working groups such as the Payments Market Practice Group (PMPG), Securities Market Practice Group (SMPG) and Common Global Implementation (CGI). Beyond the definition of base standards, SWIFT Standards collaborates with these and other communities to define, formalise and publish market practice guidelines, which describe how messages should be used in particular business and regulatory contexts, and to specify common recommended implementations. SWIFT Standards helps financial organisations and regulators develop and use standards, as part of SWIFT's mission of supporting the continuous evolution and improvement of standards, as well as related products and tools.

SWIFT Standards has been part of the evolution of ISO 20022 from the beginning. SWIFT drafted the original specification as part of the ISO working group that developed the standard, and remains the single largest contributor of content. Under contract to ISO, SWIFT Standards also operates as the Registration Authority for ISO 20022, which maintains the technical infrastructure of the standard, ensures technical consistency, and publishes the content in a variety of formats.