Real-Time Reporting Issues and Considerations
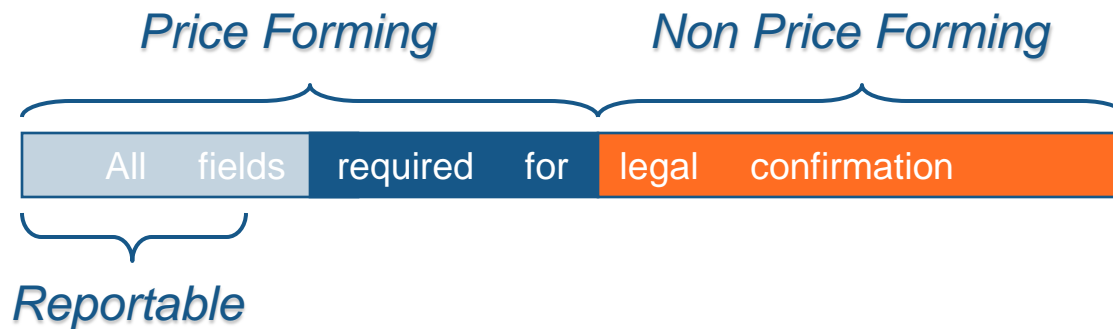
September 28, 2010

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A joint service from DTCC and Markit

Agenda

- Data fields
- Incorporation of industry-standard terms
- Timing
- Consolidation of trade data
- Practical methods of real-time reporting
- Confirmation requirement
- SDR functionalities

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Data fields – how many is good enough?

- ***Comprehensive*** data vs. sufficiently ***indicative*** data

Price Forming   *Non Price Forming*

| All   fields | required   for | legal   confirmation |

Reportable

- Not all swaps are created equally:
  - Highly customized and bespoke trades captured by multiple data fields
  - "Plain vanilla" and highly standardized have few of variable data fields
    - Note: even though there are few variable fields for "plain vanillas", there are many boiler plate fields that are "assumed" from trade to trade

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Incorporation of industry-standard terms

- Generally –
  - "Middleware" adapts and responds to demands of the participants (both dealers and buy-side)
  - "Middleware" does **_not_** set the standard
- Standardization has been a multi-year drive to simplify documentation of OTC transactions terms
  - Under DFA - CFTC / SEC / OFR to come up with **_standard_** reportable terms
- Automated platforms (*e.g.*, DCMs, DCOs) also adhere and reference standards
  - MarkitSERV also references multiple standards **_but_** has the operational and technological flexibility to add other individually-negotiated terms and other standards if required by users
- Driven by continuous consultation with dealer and buy-side community
  - Practical considerations with changing terms and accommodation of multiple users demands (over 1,900 users)

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Timing – when does the clock start ticking?

- Potential trigger points for real-time reporting to consider:
  - Execution
  - Matching of terms
  - Confirmation
  - Affirmation
- What is "real-time"? What is "technologically practicable"?
- Determining the moment of "execution"
- Relevant factors
  - Electronic execution *vs.* non-electronic execution
  - Cleared *vs.* non-cleared products
  - Standardized *vs.* non-standardized
  - Market practices for various asset classes

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Consolidation of trade data

- Multiple execution, confirmation, clearing venues
  - Possible data fragmentation
- Position limits
  - Methods for monitoring and policing
- Consolidation of data for:
  - Public reporting purposes
  - Regulatory reporting purposes
  - Market supervision
  - Surveillance and enforcement
  - Systemic risk analysis
- Uses of "middleware" to consolidate trade data from multiple venues regardless of method of execution

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Practical methods of real-time reporting

- Highly liquid markets with high degree of standardization
  - Clearable and tradeable
- Illiquid markets for bespoke contracts
  - Not clearable and not tradeable
- Standard format for data terms
  - FpML
- Methods of data dissemination
  - Delivering the **_right_** information to those who **_need_** it in a **_timely_** manner
- Commercial considerations for data providers and consolidators
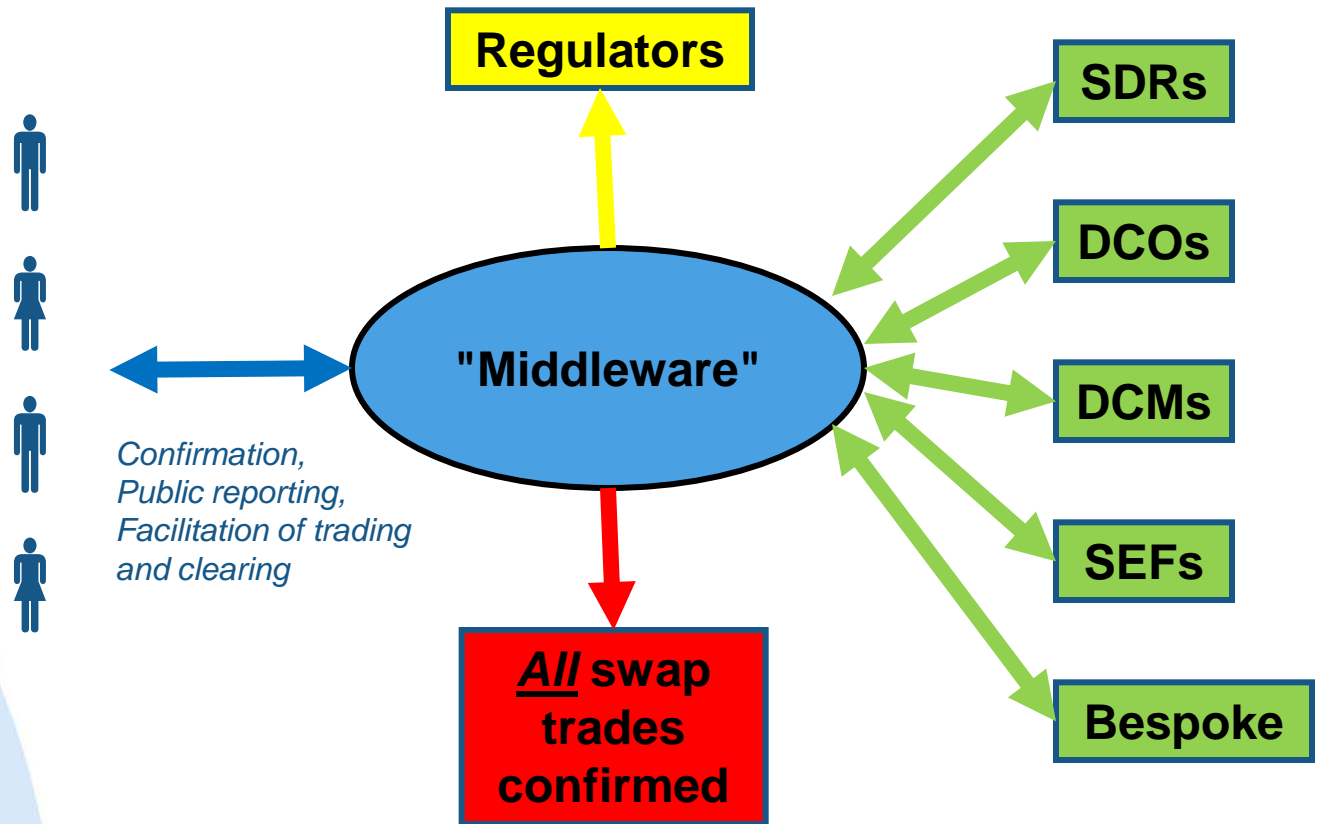
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Confirmation requirement

- Natural companion to clearing, trading and above all reporting requirement
- Confirmations appropriate for all venues
  - Bespoke and uncleared trades
  - Trades executed or traded on SEFs
  - Trades executed or traded on DCMs
  - Cleared trades on DCOs
- Benefits of confirming all trades
  - Full legal confirmation
  - Flexibility to incorporate bespoke terms and standards
  - Authoritative transaction: "tie-out"
- Business conduct standards in the DFA 2010

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SDR functionality under the DFA

- Report accurate real-time transaction data that is bi-laterally agreed / executed

- Adherence to CFTC/SEC – established terms and conditions and standards for data collection and processing

- Maintain transaction data (including the audit trail) for prescribed amount of time with proper infrastructure to ensure confidentiality and robust Disaster Recovery

- Provide electronic access to the Commission by creating a monitoring real-time front-end

- Disseminate data to other regulatory bodies

- Facilitate public reporting

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The big picture

"Middleware" acts as a universal adapter

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