



### III.

The Commission finds the following:

#### A. SUMMARY

As a provisionally registered swap dealer, NatWest is required to comply with certain reporting requirements related to its swap transactions. Section 2(a)(13)(F) and (G) of the Act, 7 U.S.C. § 2(a)(13)(F), (G) (2012), (1) requires parties to a swap transaction to report swap transaction information to a registered swap data repository (“SDR”) in a timely manner as prescribed by the Commission, and (2) requires all swaps, both cleared and uncleared, to be reported to a registered SDR. Similarly, Section 4r(a)(3) of the Act, 7 U.S.C. § 6r(a)(3) (2012), requires swap dealers to report uncleared swap transactions to an SDR within such time period as prescribed by the Commission. In particular, the Regulations specify requirements for real-time public reporting, public availability of swap transaction and pricing data, and reporting of creation and continuation data to an SDR. *See* Parts 43, 45, 17 C.F.R. pts. 43, 45 (2017). Further, the Regulations require swap dealers to make ongoing reports regarding pre-enactment and transition swaps in existence on or after April 25, 2011. *See* Part 46, 17 C.F.R. pt. 46 (2017).<sup>2</sup> The reporting requirements are designed to enhance transparency, promote standardization, and reduce systemic risk.

During the Relevant Period, NatWest failed to comply with its swap transaction reporting obligations as a swap dealer under the Act and Regulations. Generally, NatWest under-reported and over-reported tens of thousands of transactions to an SDR, misreported tens of thousands of transactions to an SDR, and failed to report hundreds of thousands of pre-enactment transactions to an SDR in a timely manner. Because of NatWest’s reporting failures, certain data for numerous swaps transactions both live and historical was not provided to an SDR and was not disseminated to the market through the real-time public tape. As a result, NatWest failed to properly report to an SDR hundreds of thousands of swap transactions across all asset classes in violation of Sections 2(a)(13)(F) and (G) and 4r(a)(3) of the Act, and Regulations 43.3(a)(1) and (3), 43.3(e)(1)(i) and (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), and 46.3(a)(1)(i) and (2)(i).

Reporting is at the heart of the Commission’s market and financial surveillance programs, which are critical to the Commission’s mission to protect market participants and promote market integrity. Accurate swap data is thus essential to effective fulfillment of the regulatory functions of the Commission, including meaningful surveillance and enforcement programs. Moreover, real-time public dissemination of swap transaction and pricing data

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enforce the terms of this Order. Respondent does not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

<sup>2</sup> Pre-enactment swaps are those swaps executed prior to passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), Pub. L. 111-203, 124 Stat. 1376 (2010), and transition swaps are those entered into between the law’s enactment date and the applicable compliance date for swap data recordkeeping and reporting. *See infra* Section IV. Legal Discussion, at p. 5.

supports the fairness and efficiency of markets and increases transparency, which in turn improves price discovery.

In accepting NatWest's Offer, the Commission recognizes that NatWest provided substantial cooperation during the investigation of this matter, and that NatWest has taken substantial remedial action to address the majority of its reporting deficiencies and will continue to remediate the minority of deficiencies that still remain. The Commission notes that NatWest's cooperation and remediation are recognized in the form of a significantly reduced civil monetary penalty.

## **B. RESPONDENT**

NatWest Markets Plc is a British banking and financial services company and a non-United States swap dealer headquartered in the United Kingdom. Under the legal name The Royal Bank of Scotland plc, NatWest was provisionally registered as a swap dealer with the Commission on December 31, 2012.

## **C. FACTS**

In or about July 2014, the Commission's Division of Enforcement ("Division") began investigating NatWest for swaps data reporting issues relating to the U.S. person indicator for certain credit default swaps. While that investigation was ongoing, in late 2014 NatWest discovered additional deficiencies in its reporting of swaps data pursuant to Parts 43, 45, and 46 of the Regulations that form the subject matter of this Order. In October 2015, after the initial investigation was closed, NatWest reported to the Commission the additional deficiencies in its reporting of swaps data.

NatWest subsequently provided Commission staff additional details concerning these deficiencies and quantified the scope of each issue by identifying asset class, date range, and number of swaps implicated. NatWest also provided an update on remediation efforts. According to the information provided by NatWest, NatWest estimated that at least several hundred thousand swaps in four asset classes<sup>3</sup> were affected by the identified deficiencies in its swaps reporting practices during the Relevant Period, which resulted in reporting errors.

Thereafter, beginning on December 16, 2015, to the present, NatWest sent to Commission staff quarterly updates identifying (1) additional deficiencies in its swaps reporting practices that NatWest had not initially identified, and (2) updates on remediation efforts. These deficiencies concerned anywhere from a handful of transactions over a short period of time to tens of thousands of transactions over a much longer period of time. In addition to providing Commission staff with quarterly updates on reporting issues and remediation efforts, NatWest submitted to the Division (1) information identifying other reporting issues that generally have relatively low affected trade volumes and, per NatWest's issue rating methodology, have received lower severity issue ratings, and (2) self-reports of certain reporting issues that NatWest

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<sup>3</sup> The asset classes identified by NatWest were Rates, Credit, Equities, and foreign exchange ("FX").

identified after submitting the most recent quarterly update at that time and that it believed warranted a disclosure to the Division before the next quarterly update.

Based on the Division's investigation, including a review of NatWest's disclosures, during the Relevant Period, NatWest had multiple swaps reporting errors across more than 50 discrete areas. Primarily, these swaps reporting errors centered on NatWest's inability to timely and properly report to an SDR swaps creation data, swaps continuation data, unique swap identifiers ("USI"), pre-enactment swap transactions, and corrected swaps data.

In particular, NatWest failed to properly report to an SDR the swap creation data, including all primary economic terms for the swap, for a number of off-facility swaps not subject to mandatory clearing during the Relevant Period. For example, NatWest failed to report tens of thousands of inter-affiliate swap transactions in the FX asset class. Similarly, NatWest failed to report tens of thousands of swap transactions in FX with certain counterparties due to a problem with its data system lacking a classification for the counterparties. NatWest further inaccurately sub-categorized tens of thousands of transactions in rates as exotic rather than non-exotic transactions. NatWest also failed to properly report to an SDR swap continuation data and all life cycle event data, including all changes to the primary economic terms of the swap, for a number of uncleared swaps during the Relevant Period.

NatWest further failed to properly report to an SDR the USI for a number of its off-facility swaps during the Relevant Period. For example, after certain life cycle events occurred for FX transactions (*e.g.*, cancels and re-keys, allocations, manual exercises, and novations), the trade's USI was not being populated in NatWest's reports for the post life cycle event trade such that the two trades were not linked properly in SDR records.

Moreover, NatWest failed to report in a timely manner to an SDR the required primary economic terms and continuation data for hundreds of thousands of pre-enactment swap transactions in the rates and credit asset classes that were in existence on or after April 25, 2011, during the Relevant Period.

Finally, during the Relevant Period, when NatWest initially learned of its errors and omissions with respect to its various reporting failures, it did not promptly submit corrected data to the SDR nor did it promptly notify the SDR of the errors and omissions in its previously reported data. After the Division had begun its investigation into NatWest's swaps data reporting practices, and after NatWest reported certain deficiencies to the Commission, NatWest then notified the SDR of these errors and omissions and submitted corrected data to the SDR.

These are just some examples of the multiple issues that NatWest encountered with its swaps reporting obligations across multiple asset classes.

Since the Division began its investigation into NatWest's deficiencies with its swaps reporting practices, NatWest has cooperated with staff, and has remediated the majority of its swap reporting issues. Among other things, after the Division began investigating NatWest's swaps data reporting practices, NatWest identified swaps data reporting deficiencies for staff on a rolling basis, and NatWest undertook substantial remediation efforts in an effort to fix the

deficiencies. NatWest undertook to explain to staff the mechanics of NatWest’s swaps data reporting systems, control procedures, and governance structure used to identify and address reporting issues. NatWest also provided staff with quarterly updates regarding its remediation efforts as well as other submissions made outside of the quarterly update process – specifically, compilations of reporting issues with relatively low affected trade volumes that occurred during the Relevant Period, and self-reports of certain reporting issues that NatWest discovered after the most recent quarterly update at that time and that it believed warranted a disclosure to the Division before the next quarterly update. NatWest’s disclosures demonstrate that, as of the date of this Order, NatWest already has remediated the majority of its swaps reporting deficiencies and that only a minority of deficiencies remain that still require remediation. In recognition of this substantial cooperation and remediation, the civil monetary penalty has been significantly reduced.

#### IV.

#### **LEGAL DISCUSSION**

To enhance transparency, promote standardization, and reduce systemic risk, Section 727 of the Dodd-Frank Act, 124 Stat. at 1696-97, added to the Act provisions that (1) require the parties to a swap to report swap transaction information to the appropriate registered entity in a timely manner as prescribed by the Commission, and (2) require all swaps, both cleared and uncleared, to be reported to a registered SDR. *See* Sections 2(a)(13)(F) and (G) of the Act, 7 U.S.C. § 2(a)(13)(F), (G) (2012). Likewise, Section 4r(a)(3) of the Act, 7 U.S.C. § 6r(a)(3) (2012), requires swap dealers to report uncleared swap transactions to an SDR within such time period as prescribed by the Commission. Pursuant to these requirements, the Commission adopted implementing reporting regulations, including those under Parts 43, 45, and 46 of the Regulations, 17 C.F.R. pts. 43, 45, 46 (2017). The reporting requirements under those regulations were phased-in over time based upon asset class. *See* Real-Time Public Reporting of Swap Transaction Data, 77 Fed. Reg. 1182 (Jan. 9, 2012); Swap Data Recordkeeping and Reporting Requirements, 77 Fed. Reg. 2136 (Jan. 13, 2012).

Part 43 establishes requirements for the real-time public reporting and public availability of swap transaction data. *See* Regulation 43.2 and 43.3, 17 C.F.R. §§ 43.2, 43.3 (2017). Under Part 43, reporting parties must report a publicly reportable swap transaction to an SDR as soon as technologically practicable after the swap transaction is executed. *See* Regulation 43.3(a)(1), 17 C.F.R. § 43.3(a)(1) (2017) (“A reporting party shall report any publicly reportable swap transaction to a registered swap data repository as soon as technologically practicable after such publicly reportable swap transaction is executed.”); *see also* Regulation 43.4(a), 17 C.F.R. § 43.4(a) (2017) (“Swap transaction and pricing information shall be reported to a registered swap data repository so that the registered swap data repository can publicly disseminate swap transaction and pricing data in real-time.”). The reporting requirement for a reporting party includes reporting all off-facility swaps to an SDR. Regulation 43.3(a)(3), 17 C.F.R. § 43.3(a)(3) (2017). A publicly reportable swap transaction is defined in Regulation 43.2 and includes, among other things, “[a]ny termination, assignment, novation, exchange, transfer, amendment, conveyance, or extinguishing of rights or obligations of a swap that changes the pricing of a swap.” *See* Regulation 43.2, 17 C.F.R. § 43.2 (2017). Further, under Part 43, if a reporting party to a swap becomes aware of an error or omission in

the swap transaction or pricing data which it reported to an SDR, the reporting party shall notify the SDR of the error or omission and shall promptly submit corrected data to the SDR. *See* Regulation 43.3(e)(1)(i) and (ii), 17 C.F.R. § 43.3(e)(1)(i), (ii) (2017).

Part 45 requires reporting parties to, among other things, report swap creation and continuation data to ensure that all data concerning a swap remains current and accurate. *See* Regulations 45.3 and 45.4, 17 C.F.R. §§ 45.3, 45.4 (2017). Specifically, Regulation 45.3(c)(1) requires that for all off-facility swaps in the credit, equity, FX, and interest rate asset classes not subject to mandatory clearing requirements, a swap dealer that is a reporting counterparty must report to an SDR all primary economic term data for the swap within the time prescribed by the Regulation. *See* 17 C.F.R. § 45.3(c)(1) (2017). Similarly, reporting parties can comply with the continuation data requirement by “reporting life cycle event data or state data for the swap.” *See* Regulation 45.4(a), 17 C.F.R. § 45.4(a) (2017). The Regulations define a life cycle event to include “any event that would result in either a change to a primary economic term of a swap or to any primary economic terms data previously reported to a swap data repository in connection with a swap,” including among other things, a “partial or full termination of the swap,” a “change to the end date for the swap,” and “a change in the cash flows or rates originally reported.” *See* Regulation 45.1, 17 C.F.R. § 45.1 (2017). Part 45 also requires that for all uncleared swaps, the reporting counterparty must report all swap continuation data, including life cycle event data, to an SDR on the same day that the life cycle event occurred. *See* Regulation 45.4(d)(1)(i), 17 C.F.R. § 45.4(d)(1)(i) (2017). Part 45 further requires that for each off-facility swap where the reporting counterparty is a swap dealer, the reporting counterparty shall transmit a USI for the swap to an SDR. *See* Regulation 45.5(b)(2)(i), 17 C.F.R. § 45.5(b)(2)(i) (2017). Finally, under Part 45, the reporting counterparty must report a correction of errors or omissions as soon as technologically practicable after discovery of the error. *See* Regulation 45.14(a), 17 C.F.R. § 45.14(a) (2017).

Part 46 requires swap dealers to make ongoing reports regarding pre-enactment and transition swaps. In particular Regulation 46.3(a) requires that for each pre-enactment swap or transition swap in existence on or after April 25, 2011, the reporting counterparty shall report to an SDR among other things the minimum primary economic terms as well as continuation data of the swap. *See* Regulations 46.3(a)(1)(i) and (2)(i), 17 C.F.R. §§ 46.3(a)(1)(i), (2)(i) (2017).

The accuracy and completeness of swap reporting are critical to the Commission’s mission to protect market participants and to ensure market integrity. *See, e.g., In re Deutsche Bank AG*, CFTC No. 15-40, 2015 WL 5783049 (Sept. 30, 2015) (consent order); *In re ICE Futures U.S., Inc.*, CFTC No. 15-17, 2015 WL 1276463 (Mar. 16, 2015) (consent order); *In re Société Générale S.A.*, CFTC No. 17-01, 2016 WL 7210405 (Dec. 7, 2016) (consent order). Market participants rely upon the public availability of swaps data for price discovery purposes. The Commission, in turn, requires complete and accurate reporting data to engage in meaningful oversight of the swaps market.

During the Relevant Period, NatWest failed to: (1) properly report to an SDR the swap creation data, including all primary economic terms for the swap, for a number of off-facility swaps not subject to mandatory clearing; (2) properly report to an SDR swap continuation data and all life cycle event data, including all changes to the primary economic terms of the swap,

for a number of uncleared swaps; (3) properly report to an SDR the USI for a number of its off-facility swaps; (4) report in a timely manner to an SDR the required primary economic terms and continuation data for hundreds of thousands of pre-enactment swap transactions in the rates and credit asset classes that were in existence on or after April 25, 2011; and (5) promptly submit corrected data to the SDR or to promptly notify an SDR of the errors and omissions in its previously reported data once NatWest learned of its errors and omissions with respect to its various reporting failures. The foregoing acts, omissions, and failures of NatWest's employees occurred within the scope of their employment, office, or agency with NatWest; therefore, pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.D. §2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2017), NatWest is liable for those acts, omissions, and failures in violation of Sections 2(a)(13)(F) and (G) and 4r(a)(3) of the Act, and Regulations 43.3(a)(1) and (3), 43.3(e)(1)(i) and (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), and 46.3(a)(1)(i) and (2)(i).

## **V.**

### **FINDINGS OF VIOLATION**

Based on the foregoing, the Commission finds that, during the Relevant Period, Respondent failed to properly report to an SDR hundreds of thousands of swap transactions across all asset classes resulting in reporting errors in violation of Sections 2(a)(13)(F) and (G) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13)(F), (G), 6r(a)(3) (2012), and Regulations 43.3(a)(1) and (3), 43.3(e)(1)(i) and (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), and 46.3(a)(1)(i) and (2)(i), 17 C.F.R. §§ 43.3(a)(1), (3), 43.3 (e)(1)(i), (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), 46.3(a)(1)(i), (2)(i) (2017).

## **VI.**

### **OFFER OF SETTLEMENT**

Respondent has submitted the Offer in which it, without admitting or denying the findings and conclusions herein:

- A. Acknowledges service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
  - 1. The filing and service of a complaint and notice of hearing;
  - 2. A hearing;
  - 3. All post-hearing procedures;
  - 4. Judicial review by any court;

5. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
  6. Any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Commission's Regulations, 17 C.F.R. pt. 148 (2017), relating to, or arising from, this proceeding;
  7. Any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-53, 110 Stat. 847, 857-74 (codified as amended in scattered sections of 5 and 15 U.S.C.), relating to, or arising from, this proceeding; and
  8. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer; and
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that Respondent violated Sections 2(a)(13)(F) and (G) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13)(F), (G), 6r(a)(3) (2012), and Regulations 43.3(a)(1) and (3), 43.3(e)(1)(i) and (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), and 46.3(a)(1)(i) and (2)(i), 17 C.F.R. §§ 43.3(a)(1), (3), 43.3 (e)(1)(i), (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), 46.3(a)(1)(i), (2)(i) (2017);
  2. Orders Respondent to cease and desist from violating Sections 2(a)(13)(F) and (G) and 4r(a)(3) of the Act and Regulations 43.3(a)(1) and (3), 43.3(e)(1)(i) and (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), and 46.3(a)(1)(i) and (2)(i) no later than nine months from the date of the entry of this Order in order for Respondent to come into compliance with the Act and Regulations set out in this subsection;
  3. Orders Respondent to pay a civil monetary penalty in the amount of seven hundred fifty thousand dollars (\$750,000), plus post-judgment interest within ten (10) days of the date of the entry of this Order; and
  4. Orders Respondent to comply with the conditions and undertakings consented to in the Offer and as set forth in Section VII of this Order.

Upon consideration, the Commission has determined to accept the Offer.



## VII.

### ORDER

#### Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondent shall cease and desist from violating Sections 2(a)(13)(F) and (G) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13)(F), (G), 6r(a)(3) (2012), and Regulations 43.3(a)(1) and (3), 43.3(e)(1)(i) and (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), and 46.3(a)(1)(i) and (2)(i), 17 C.F.R. §§ 43.3(a)(1), (3), 43.3 (e)(1)(i), (ii), 43.4(a), 45.3(c)(1), 45.4(d)(1)(i), 45.5(b)(2)(i), 45.14(a), 46.3(a)(1)(i), (2)(i) (2017) no later than nine months from the date of the entry of this Order in order for Respondent to come into compliance with the Act and Regulations set out in this subsection.
- B. Respondent shall pay a civil monetary penalty in the amount of seven hundred fifty thousand dollars (\$750,000) (“CMP Obligation”) within ten (10) days of the date of entry of this Order. If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012).

Respondent shall pay the CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326  
Commodity Futures Trading Commission  
Division of Enforcement  
6500 S. MacArthur Blvd.  
Oklahoma City, OK 73169  
(405) 954-6569 office  
(405) 954-1620 fax  
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Respondent shall contact Marie Thorne or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. Respondent and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. Remediation: Respondent will continue its remediation efforts relating to the swap reporting deficiencies that are the subject matter of this Order to provide for compliant swaps reporting. Within 120 days of the entry of this Order, Respondent shall make a report to the Commission, through the Division, concerning their remediation efforts before and since the entry of the Order. Within one year of the entry of this Order, Respondent shall submit a written report to the Commission, through the Division, explaining how Respondent has complied with the undertakings set forth herein. The written report shall contain a certification from a representative of the NatWest Markets Executive Committee that Respondent has established policies, procedures and controls to satisfy the undertakings set forth in this Order.
2. Public Statements: Respondent agrees that neither it nor any of its successors or assigns, agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondent and its successors and assigns shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.
3. Cooperation with the Commission: Respondent shall cooperate fully and expeditiously with the Commission, including the Division and any other governmental agency in this action, and in any investigation, civil litigation, or administrative matter related to the subject matter of this action or any current or future Commission investigation related thereto.
4. Partial Satisfaction: Respondent understands and agrees that any acceptance by the Commission of any partial payment of Respondent's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
5. Change of Address/Phone: Until such time as Respondent satisfies in full its CMP Obligation as set forth in this Consent Order, Respondent shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten (10) calendar days of the change.

**The provisions of this Order shall be effective as of this date.**

By the Commission.

  
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Christopher J. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission

Dated: September 14, 2018