OTC Derivatives Regulators Forum

Terms of Reference for a trade repository technical working group

Background

Five trade repository (TR) subgroups have been established within the ODRF: credit, rates, equity, commodity and FX.

Following a stocktaking exercise among the five chairs of the different subgroups, the exercise highlighted that:

- the purpose of the subgroups has been to form a view with regards to the data that should be registered in TRs and the data that have to be reported to regulators and the public;

- the subgroups have liaised with the industry while it was designing and establishing TRs for different asset classes;

- on the TR side only DTCC has been involved in the work - with the exception of Tri-Optima until its services for IRD reporting were discontinued and replaced with a solution provided by the UK-based DTCC Derivatives Repository Limited - as a natural consequence of the fact that DTCC was the only provider of reporting services at the launch of the subgroups' work;

- the work completed consists in the shaping of the basic TR data design for the different asset classes;

- challenges emerged during the work have been either addressed within the subgroups or may be addressed in future work (e.g. issues related to practical use and delivery of data).

The original aim of each subgroup was to provide an open forum for regular contact among interested ODRF members to exchange information and ideas with respect to the practical design and functioning of TRs, which at the time were: 1) largely undefined in the practical, functional sense; 2) either non-existent or in the early stages of technological development; and 3) not yet addressed by statute.

In addition to discussing and coming to common understanding on practical interests in TRs and the trade data to be housed in them, the subgroups worked with industry participants involved in the design and provision of TR services in order to provide these common perspectives, with the intent to improve the designs of developing TRs so that they might best meet the range of needs of public sector authorities.

At the time, the organization of subgroups along asset class lines mirrored the asset-class-based organizational structure of the ISDA Industry Governance Committee (IIGC) working groups responsible for commitments to the OTC Derivatives Supervisors Group (ODSG) in data and

reporting matters. Since the formation of the subgroups, both the technological and regulatory environments have evolved significantly, with multiple service providers launching TRs in the major asset classes and authorities promulgating laws and regulations regarding trade reporting and TR registration. These developments have prompted corresponding shifts in the roles and activities of the subgroups, as observed by the five subgroups' chairs.

The following observations emerged during the stocktaking exercise:

- As of mid-2013, much of the design cycle of TR development has been completed, meaning that the original goal of the subgroups to shape the basic design of TRs has been achieved.

- Subgroup members' concerns have evolved from broad matters of conceptual design implementation to the technical details of practical implementation. This shift in focus has brought to the fore a number of technical topics that are not necessarily aligned with the professional competencies of all the individuals in the existing subgroups.

- In the course of dealing with these technical details, the subgroups have also observed issues that are not unique to any single asset class and could likely benefit from the development of common technological and operational approaches across TRs, regardless of asset class. For example, better end-user technical documentation could facilitate the accurate interpretation of data and assist efficient internal technology development.

- Authorities, as a community of end users, also might benefit from common approaches to understanding the data they are obtaining from TRs and developing applications from a practical perspective.

- At least one subgroup (for the Credit TR) has also identified a number of significant problems with respect to the reliability of the data (as they have been delivered and presented for regulatory use) which would not have been discovered but for the close technically-oriented work between the subgroup and the service provider.

Following the presentation of the stocktaking exercise at the November 2013 meeting of the ODRF, the following was noted:

- the work of the subgroups is a valuable input for the ODRF, in particular in view of its proposed revised objectives focused on data quality and practical data access;

- the five subgroups should be compressed into one technical working group;

- experts from authorities that deal directly with matters pertaining to the technological management and analytical use of TR data should participate in the technical working group;

- the technical working group should report and provide inputs to the ODRF and raise issues related to data quality and data access to be discussed at the ODRF.[1]

Scope of work

The technical working group of the ODRF is responsible for:

a) providing a forum for technical experts of authorities to share actual experiences and technical knowledge on:

- o the ways in which TR data are technically delivered and presented to individual authorities;

- o any approaches developed by a working group member with respect to the interpretation and use of data;

- o internal analytics and reporting applications available;

b) promoting discussions among Forum members regarding timely and transparent identification, notification, and fixing of deficiencies in the reliability, meaningfulness, and usefulness of data as it is delivered and presented to authorities.

The technical working group may interact with TRs to inform its understanding of TR data issues, as appropriate and in consultation with the Forum.

The technical working group will seek to identify technical issues related to data quality and data access, as requested by the ODRF.

The technical working group will report regularly on its work and findings to the ODRF and ask for its views on how to address identified issues.

The technical working group, consistent with the fundamental objective of the ODRF to serve as a forum for exchanging views on OTC derivatives issues, will serve as a venue to promote regular contact among interested ODRF members, and will defer to individual regulators and standard setting bodies, as appropriate, with respect to any guidance that should be provided to a TR.

Composition and working arrangements

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[1] The ODRF will focus the scope of its activities on TR data quality issues and practical solutions developed by individual authorities to efficiently access data from the TRs with which they work, including discussions of identifier implementation progress. In particular the ODRF will continue to act as a venue for the exchange of views and experiences related to the actual use of, and access to, TR data among by authorities with various institutional perspectives, rather than revisiting work that has already been done such as the CPSS-IOSCO report on Authorities' access to TR data.

The chairs, or co-chairs of the technical working group are appointed by the ODRF plenary membership, following a no-objection approach. The chairing authority(ies) prepare(s) the working group's meetings/calls agendas, distribute(s) the documentation, steer(s) the discussion, and report(s) to the ODRF plenary membership. ODRF members are invited to nominate one or more participants to the technical working group. No limitation on the number of participants per authority is envisaged, to the extent that a balanced representation is ensured.

The nominated participants should hold expertise and contribute in one or more of the following areas:

- technical delivery of TR data, including matters pertaining to system-to-system connectivity, managed file transfer, web portal development, automation, and change management;

- matters pertaining to the extraction, transformation, validation, storage, retrieval, semantics, quality assurance and formal representation of TR data and associated reference data;

- development of practical end-user applications consuming the data;

- analytical processing, reporting, and visualization of TR data; and/or

- business and statistical analysis of TR data.

Nominated participants should expect to participate actively, take on responsibilities, and make tangible contributions to the working group.

After an inaugural meeting in person, the technical working group would operate primarily through conference-calls and e-mail.