

VIA E-MAIL TO: comments@osc.gov.on.ca and consultation-en-cours@lautorite.qc.ca

October 7, 2022

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Dear Sir/Madam:

The London Stock Exchange Group (“LSEG”) is pleased to file a response to the request for comment from the Canadian Securities Administrators (“the CSA”) on proposed amendments to Rule 91-507 Trade Repositories and Derivatives Data Reporting; proposed changes to Companion Policy 91-507CP; and proposed changes to Companion Policy 91-506CP.

LSEG is a leading global financial markets infrastructure and data business, with significant operations in North America. We play a vital social and economic role in the world’s financial system. With our trusted expertise and global scale, we enable the sustainable growth and stability of our customers and their communities. We are leaders in data and analytics, capital formation and trade execution, and clearing and risk management.

LSEG operates multiple clearing houses. It has majority ownership of the multi-asset global CCP operator, LCH Group (“LCH”). LCH has two licensed CCP subsidiaries – LCH Ltd in the UK and LCH S.A. in France. Both are leading multi-asset class and international clearing houses, serving major international exchanges and platforms as well as a range of OTC markets. They clear a broad range of asset classes, including securities, exchange-traded derivatives, commodities, foreign exchange derivatives, interest rate swaps, credit default swaps and Euro, Sterling and US Dollar denominated bonds and repos. LCH Ltd is recognized as a clearing agency by the Ontario Securities Commission (“OSC”) and the Autorité des marchés financiers (“AMF”) Quebec. LCH Ltd’s SwapClear service is designated as systemically important by the Bank of Canada.

LSEG welcomes the opportunity to respond to the proposed reporting amendments and would like to thank the CSA for making these proposals, which we generally agree improves the clarity of swap data reporting requirements. We also support the opportunity to further harmonize key components of swaps data reporting requirements across jurisdictions. We believe this will benefit regulators, global market operators and market participants.

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Please find below specific comments to the CSA's request for comment. LSEG stands ready to support and contribute further on this important initiative.

Sincerely,

Claire O'Dea
Director, Government Relations and Regulatory Strategy, Americas
London Stock Exchange Group

Request for Comments

1. Harmonization with global standards

We have updated the required data fields for reporting market participants as set out in Appendix A of the Trade Reporting Rule with the goal of harmonizing with global standards and accordingly, reducing regulatory burden. As well, we created a new Derivatives Data Technical Manual to inform reporting market participants on administrative matters for reporting in accordance with the Trade Reporting Rule.

Please provide your comments on whether you anticipate that the changes to the data field requirements and the corresponding Derivatives Data Technical Manual will reduce regulatory burden and increase efficiency and clarity when meeting trade reporting requirements.

LSEG supports measures to harmonize reporting requirements across major swaps jurisdictions, including among the CSA, and to align with North American, European and global standards developed by the Committee on Payments and Market Infrastructures (“CPMI”) and the International Organization of Securities Commissions (“IOSCO”). The proposed changes to the data field requirements and the corresponding technical manual will reduce regulatory burden and increase efficiency and clarity. We note that other jurisdictions, such as the Commodity Futures Trading Commission (“CFTC”), are moving to the ISO 20022¹ standard which will update FPML and XML trade messaging. We would encourage the CSA to also consider implementing this standard to further improve cross-border harmonization when meeting trade reporting requirements.

LSEG agrees that the proposal regarding termination of an original transaction by a clearing agency requirement is in line with the CFTC’s requirement. We would like to note that as the clearing agency does not have visibility into the alpha trade report by the bilateral trade party, there are timing issues if the bilateral party either fails to report or reports the alpha trade late. To address this, we propose that the bilateral parties need to inform the clearing agency if the alpha trade remains open. This would be in line with the CFTC’s re-write² rules which puts the onus on the bilateral party to also have accountability if the alpha trade remains open.

Additionally, there are instances where the alpha trade reference is not provided by the bilateral party to the clearing agency. We note that the CFTC provided a footnote in their technical specification acknowledging this, stating for transactions where no original swap Unique Swap Identifier (“USI”) is available or not provided, a value of “NOTAVAILABLE” can be used. We hope that this can similarly be adopted in the CSA’s rule and technical manual.

LSEG respectfully notes that the European Market Infrastructure Regulation (“EMIR”) Refit³ go-live is currently scheduled to launch by the end of Q1 2024. To avoid an overlap with this, LSEG recommends that the CSA implement a gap from this timeframe and proposes that a go-live of Q3 2024 would be appropriate based on current timelines.

¹ [ISO 20022 | ISO20022](#)

² [CFTC Finalizes Rules to Improve Swap Data Reporting, Approves Other Measures at September 17 Open Meeting | CFTC](#)

³ [ESMA publishes draft technical standards under EMIR REFIT \(europa.eu\)](#)

2. Reporting Hierarchy

We have developed a potential alternative to the reporting hierarchy, which we have set out in Annex E to the Notice. This alternative hierarchy is an effort by us to provide increased flexibility and reduce the need for delegated reporting where feasible. The alternative hierarchy still maintains a static approach in relation to transactions involving derivatives dealers that are financial entities but provides greater flexibility in relation to transactions between two derivatives dealers that are both non-financial entities. The increase in flexibility may, however, result in increased complexity to the reporting hierarchy as well as possible technological and operational changes for derivatives dealers.

Do you support adopting the hierarchy in the Proposed Trade Reporting Amendments (as set out in Annexes A and B) or the alternative hierarchy as set out in Annex E?

As a clearing agency, we expect to generate the Unique Transaction Identifier (“UTI”) for cleared swaps for either scenario as set out in Annex A and B, or the alternative hierarchy in Annex E. We have no further comments at this time.

3. Data accuracy

We have proposed replacing the current concept of confirmation of data accuracy with a requirement under paragraph 26.1(1)(a) for all reporting counterparties to ensure that all reported derivatives data is accurate and contains no misrepresentation and a requirement under paragraph 26.1(1)(b) for reporting counterparties that are derivatives dealers and recognized or exempt clearing agencies to verify the accuracy of data every 30 days. A designated trade repository must establish written policies and procedures to enable the reporting counterparty to carry out its verification obligations under paragraph 26.1(1)(b); however, while a designated trade repository must provide counterparties to a transaction with access to derivatives data, we have not contemplated a specific requirement for policies and procedures designed to enable the requirement under paragraph 26.1(1)(a).

Is it necessary for a trade repository to implement policies and procedures to enable all reporting counterparties to ensure that all reported derivatives data is accurate and contains no misrepresentation, or is providing access to such counterparties sufficient to enable them to fulfill this requirement?

LSEG supports the CSA’s current process for data accuracy, which is sufficient and in line with CFTC requirements and global standards.

4. Maintenance and renewal of LEIs

The Trade Reporting Rule requires a local counterparty under section 28.1 [Maintenance and renewal of legal entity identifiers] to maintain and renew its LEI. However, we have identified instances where non-reporting local counterparties are not maintaining and renewing their LEIs, as required. As a result, the LEIs lapse and the information associated with them is no longer current. This reduces the benefits associated with LEIs. While we do not currently expect reporting counterparties to verify the maintenance and renewal of LEIs of their counterparties, we are interested to receive comments from market participants regarding any potential steps that could be taken to improve the maintenance and renewal of LEIs of non-reporting counterparties.



LSEG supports the requirement for counterparties to maintain and renew their Legal Entity Identifiers (“LEI”) used in trade reporting. However, it remains important that data is not rejected by a Swap Data Repository (“SDR”) for swaps data that contains lapsed LEI’s. As such, we recommend when considering future proposals that language be included that would clarify that SDRs would not reject data if an LEI lapses.

Additionally, LSEG recommends that LEI validation rules are not imposed to avoid rejection by the SDR. This is especially important where there is a trade exit, as where there is an alpha exit the clearing agency is not party to those trades and therefore, we cannot exercise control as to whether a party updates their LEI.