Invested in America

Matthew Reed, Chief Counsel
Patrick Bittner, Senior Counsel
Office of the Chief Counsel
Office of Financial Research
717 14th street NW
Washington, DC 20220

September 10, 2018

Re: Proposed Ongoing Data Collection of Centrally Cleared Transactions in the U.S. Repurchase Agreement Market, RIN 1505-AC58

Dear Messrs. Reed and Bittner:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to submit comments on the Office of Financial Research's ("OFR") proposed rule regarding a data collection on centrally cleared transactions in the U.S. repurchase market ("Proposal").[2] SIFMA broadly supports the proposed data collection covering centrally cleared transactions in the U.S. repurchase market, and we believe this collection, consistent with the goals described in the Proposal, would both enhance the information on this important market that is available to supervisors and the official sector and contribute to the robustness of the Secured Overnight Funding Rate ("SOFR") published by the Federal Reserve Bank of New York ("NY Fed"). In connection with the proposal, we offer several observations and comments on the proposal.

Justification for Proposed Collection

Financial Stability Monitoring

We believe that the proposed data collection is appropriate and that it will help close some of the data gaps that currently exist in the collection of transactional repo data. This collection will enhance the data available to regulators and supervisors on this important market, particularly with the addition of specific counterparty identifying information, and allow for earlier stress identification and potential risk mitigation. The data will more easily permit the Financial Stability Oversight Council ("Council"), and the

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] *See* OFR Ongoing Data Collection of Centrally Cleared Transactions in the U.S. Repurchase Agreement Market, Fed. Reg., Vol. 83, 31896, July 10, 2018 (available at www.financialresearch.gov/press-releases/file/FR-Notice_OFR_Repo.pdf) .

constituent members of the Council, to identify risks to financial stability by allowing for earlier identification of firms under stress and allow for appropriate remediation as necessary.

The collection's focus on CCPs is appropriate (with FICC currently being the only expected data submitter) as that will gather information from the largest and most systemically important participants in the repo market.

Further, as noted above, the inclusion of counterparty information in the collection will improve financial stability through more robust supervision and additional official sector insight into this market. Supervisors will be more able to identify earlier and more accurately firms that might be under stress. Developing risks and potential disruptions, both within the CCP and within the broader market, could be identified with sufficient time to allow for appropriate mitigation measures.

Support for Alternative Reference Rates

The proposed data collection will contribute to the overall robustness of the Alternative Reference Rate Committee's ("ARRC") selected alternative reference rate (the SOFR) and, thus, will contribute further to SOFR's viability as the alternative reference rate.[3] As noted in the Proposal, the current collection of a portion of the transactional data underlying the SOFR is made under a voluntary contractual arrangement with DTCC Solutions. While this has proved reliable, we believe a regulatory collection requirement as contained in the Proposal will further enhance the resiliency of the collection mechanism for SOFR. This will enhance the market perception of SOFR, aiding in its adoption and acceptance broadly as an alternative reference rate. As SIFMA noted in its comment letter on the proposal to create SOFR: "Continuity of these rates and access to the data is essential to encouraging broader adoption and utilization of the proposed rates in contracts and financial products. Thus, it is important for market participants to understand clearly what risk may exist as a result of loss of access to data collected pursuant to a contractual agreement."[4] The Proposal eliminates contingencies associated with the current voluntary/contractual nature of the collection and would, thus, contribute to the uptake of the rate as an alternative.

In addition, as noted above, this collection would add counterparty information through the required use of Legal Entity Identifiers ("LEIs"). As described in the proposal, such counterparty information will allow the NY Fed, as calculation agent of SOFR, to "identify and, as appropriate, exclude, transactions (e.g., affiliate transactions) that may not be representative of market activity." This culling of transactions that might not be representative of market activity will help insure the integrity of the data underlying SOFR and further encourage market uptake.

[3] *See* "The ARRC Selects a Broad Repo Rate as its Preferred Alternative Reference Rate," (available at https://www.newyorkfed.org/medialibrary/microsites/arrc/files/2017/ARRC-press-release-Jun-22-2017.pdf), June 22, 2017.
[4] Comments of SIFMA and the Financial Services Roundtable, October 30, 2017, available at https://www.sifma.org/resources/submissions/request-for-information-relating-to-production-of-rates/.

Collection design

Use of LEI in the OFR Collection

The Proposal requires FICC to report counterparty information using LEIs. The LEI is an inexpensive, reliable, and standardized legal entity identification system. The mandated use of LEIs in this collection will improve transparency, enable precise aggregation of position information and permit the Council and the OFR to identify more efficiently counterparty and financial systemic risks. Specifically, as stated in the proposal, LEI use provides the Council and the OFR granular identity information regarding "repo market participants' exposures, concentrations, and network structures." Given that we support the reporting of specific counterparty information, we believe that the LEI is the best and most consistent way to report this data element.

Also, the expanded use of LEIs – and thereby increase in population of entities with current LEIs - creates opportunities for regulators and market participants to enrich data collections with information from other sources regarding a specific legal entity. In this way, the Council and OFR can enrich the collection with other information necessary to monitor systemic or entity-specific risk, and individual participants can more clearly understand their own and counterparty risks. Separately, as noted in the proposal, mandated LEI use is likely to decrease the need for manual intervention on the part of regulators or counterparties to match identical legal entities where the legal name supplied in an unstructured format is not identical.

As it relates to participants obtaining and keeping current an LEI, the wholesale nature of the repo market and the relative sophistication of repo market participants makes it likely that obtaining and maintaining an LEI should not be a significant challenge. We believe the incremental burden of obtaining and maintaining an LEI to some market participants is outweighed by the benefits associated with this collection.

As the Proposal outlines, the population of legal entities who have LEIs globally has steadily increased with the adoption of LEI requirements for trade and other regulatory reporting, notably the European Union's MiFID 2 transaction reporting requirements.[5] As of this comment, approximately 1.25 million legal entities have obtained an LEI.[6] The process for a legal entity to obtain an LEI is concise, requiring an entity to provide business card and relationship information to one of 32 LEI issuers worldwide and pay a small one-time issuance fee.[7] To keep an LEI current a legal entity need only re-affirm the

[5] Authorities such as those in the European Union, Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission of the United States, Reserve Bank of India and certain Canadian provincial regulators have mandated the use of LEIs and regulators in many other jurisdictions have incorporated LEI requirements in rulemakings and legislation. For a complete list of the current and proposed LEI regulatory activity, please see the following page on the GLEIF website: https://www.gleif.org/en/about-lei/regulatory-use-of-the-lei#.
[6] *See*, https://www.gleif.org/en/lei-data/global-lei-index/lei-statistics.
[7] LEI issuers – also referred to as Local Operating Units (LOUs) – supply registration, renewal and other services, and act as the primary interface for legal entities wishing to obtain an LEI. Only

validity of the reference data related to it in the LEI database on an annual basis and pay a nominal fee. Obtaining and keeping current an LEI should not pose a challenge to repo market participants who do not currently have an LEI. As participation in the global economy increasingly requires that a legal entity obtains and keeps current an LEI, and the process to obtain and maintain an LEI straightforward and of nominal expense, it is unlikely that repo market participants will find the requirement to obtain and keep current an LEI as a significant burden.

As it relates to which party – the participant or the reporting entity – would be required to append the LEIs to the records submitted to the OFR as part of the collection, SIFMA believes that the reporting entity is best positioned to append the LEI to relevant participant records. As noted in the Proposal, requiring the reporting entity to append the LEI would require fewer parties to update their systems. To centralize the LEI addition with the reporting entity is efficient, requires fewer technology builds across the industry and is less complicated to implement.

Data Fields

In addition to the specific counterparty information, the Proposal includes as required data fields: collection of date and tenor information, trade size, and rate and collateral/security price. We believe these data fields are appropriate and will enable the regulators to gain a more complete view of this market and we would not propose to include any additional data items.

Confidentiality Protections

The proposal describes extensive sharing of the information collected among Council members to support their regulatory responsibilities. It cannot be determined from the Proposal how many agencies and people within those agencies will have access to the data and we are concerned that, given the description in the Proposal, a large number of persons within the agencies will have access. Given that these collections will now involve complete counterparty identities, we are concerned that the information does not become public and receives the greatest protections possible. While the Proposal notes that "this proposed collection will be subject to the confidentiality and security requirements of applicable laws…", we urge the OFR to describe more fully a process that would assure market participants that commercially sensitive information will not be compromised or otherwise made public.

Conclusion

SIFMA very much appreciates the opportunity to comment on the OFR's Proposal. The repo market is important to the overall financial system and enhancing supervisory

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organizations duly accredited by the Global Legal Entity Identifier Foundation (GLEIF) are authorized to issue LEIs. Accreditation is the process by which GLEIF evaluates the suitability of organizations seeking to operate within the Global LEI System as LEI issuers. *See,* *https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.*

oversight will contribute to the continued robustness and efficiency of this market. In addition, as financial markets transition away from LIBOR, it is important that the successor reference rate is seen as robust and clearly reflective of market activity.

If necessary, we would be happy to discuss any of our comments with the OFR and provide any additional help that the OFR might require in crafting this collection. Please feel free to reach out to Robert Toomey (rtoomey@sifma.org or 212.313.1124) at SIFMA if you would like to discuss further.

Sincerely,

Robert Toomey
Managing Director and Associate General Counsel
SIFMA