MINUTES OF THE MEETING OF THE
U.S. COMMODITY FUTURES TRADING COMMISSION'S
GLOBAL MARKETS ADVISORY COMMITTEE
APRIL 15, 2019

The Global Markets Advisory Committee ("GMAC" or "Committee") convened for a public meeting on Tuesday, April 15, 2019, at 10:00 a.m., at the U.S. Commodity Futures Trading Commission's ("CFTC" or "Commission") Headquarters Conference Center, located at Three Lafayette Centre, 1155 21st St., NW, Washington, DC. The meeting consisted of five panels. Panel 1 provided an overview of financial system issues for the 2019 G20 Japan Presidency. Panel 2 examined regulatory-driven market fragmentation. Panel 3 discussed trading on exchanges or electronic trading platforms and clearing through central counterparties. Panel 4 discussed initial margin for non-centrally cleared derivatives contracts. Panel 5 discussed over-the-counter ("OTC") derivatives reporting to trade repositories.

GMAC Members in Attendance

Angie Karna ("GMAC Chair"), Managing Director, Head of Global Markets Legal, Americas, Nomura Securities International, Inc.
Chris Allen, General Counsel, Clients & Products, Standard Chartered Bank
Ted Backer, Global Head of Listed Derivatives Execution, Morgan Stanley
Ashley Belich, Head of Global OTC Derivatives & Dodd-Frank Advisory, RBC Capital Markets
Shawn Bernardo, Chief Executive Officer, TP ICAP SEF
Darcy Bradbury, Managing Director, D.E. Shaw & Co., L.P.
Clive Christison, Senior Vice President Pipelines, Supply & Optimization for Fuels North America, BP
Joseph Cisewski, Consultant, Better Markets
Jim Colby, Representative, Coalition for Derivatives End-Users
Gerry Corcoran, Chairman of the Board and Chief Executive Officer, R.J. O'Brien & Associates, LLC
Sunil Cutinho, President, CME Clearing
David Goone, Chief Strategy Officer, Intercontinental Exchange, Inc.
Alexandra Guest, Chief Compliance Officer, Cargill Risk Management
Paul Hamill, Global Head of Fixed Income, Currencies and Commodities, Citadel Securities
Amy Hong, Head of Market Structure Strategy, Goldman Sachs
Adam Kansler, President – Financial Services, IHS Markit
Robert Klein, Managing Director & General Counsel, Citigroup Global Markets
Stephen Li, Managing Director & Head of U.S. Agency Derivative Services, Barclays
Erik Tim Müller, Chief Executive Officer, Eurex Clearing AG ("Eurex")
Joseph Nicosia, Global Platform Head of Cotton, Louis Dreyfus Company
Christopher Nikkel, Senior Director – Global Risk Trading, Bunge Global Agribusiness
Muthukrishnan Ramaswami, President, Singapore Exchange Limited
Thomas Sexton, President & Chief Executive Officer, National Futures Association
Jessica Sohl, Partner & President, HC Technologies
Supurna VedBrat (Via Telephone), Managing Director & Global Head of Trading, BlackRock
Mark Wetjen, Managing Director, Head of Global Public Policy, Depository Trust & Clearing Corporation ("DTCC")
Masahiro Yamada, Managing Director & Head of America's Cross Asset Structuring, JP Morgan Securities LLC

Speakers in Attendance
Shunsuke Shirakawa, Vice Commissioner for International Affairs, Japan Financial Services Agency (Panel 1)
Steven Kennedy, Global Head of Public Policy, International Swaps and Derivatives Association ("ISDA") (Panel 2)
Nicolette Cone, Counsel and Director, ISDA (Panel 3)
Colin Lloyd, Partner, Cleary Gottlieb Steen & Hamilton LLP (Panel 3)
Rafael Martinez, Senior Financial Risk Analyst, CFTC, Division of Swap Dealer and Intermediary Oversight ("DSIO") (Panel 4)
Richard Haynes, Supervisory Research Analyst, Office of the Chief Economist ("OCE"), CFTC (Panel 4)
David Aron, Special Counsel, CFTC, Division of Market Oversight ("DMO"), CFTC (Panel 5)
Kate Delp, Executive Director and General Manager, GTR Americas, DTCC (Panel 5)

CFTC Commissioners and Staff in Attendance
Commissioner Dawn D. Stump, GMAC Sponsor
Chairman J. Christopher Giancarlo
Commissioner Rostin Behnam
Commissioner Dan Berkovitz
Commissioner Brian D. Quintenz
Andrée Goldsmith, Special Counsel, CFTC, Division of Clearing and Risk, GMAC Designated Federal Officer

I. Opening Remarks

Ms. Goldsmith, the Designated Federal Officer for GMAC, called the meeting to order.

In her opening statement, Commissioner Stump discussed the objectives of the GMAC, including helping the Commission determine how it can avoid unnecessary regulatory and operational impediments to global business while still preserving core protections for customers and other market participants. She stated that another objective is to assist the Commission in assessing the impact on U.S. markets and firms of the Commission's international efforts and the initiatives of foreign regulators and market authorities. Turning to the agenda, she noted that it revolves around the sometimes-overlooked component of the G-20 agreement in 2009 in Pittsburgh, which stipulates that regulators should "assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse." She then gave an overview of the scheduled presentations for the meeting.

Chairman Giancarlo provided his opening remarks next. He stated that the meeting will discuss how regulators are implementing the 2009 G-20 directive regarding the OTC derivatives market at the G-20 nation state level in a fashion that is consistent, though not identical. He highlighted a concern regarding whether disparate implementation of the reforms is causing undue market fragmentation, increasing market fragility, and leading to smaller disconnected liquidity pools and less efficient and more volatile pricing. Chairman Giancarlo stated that the issue is how to conduct reform implementation in ways that are well calibrated to systemic risk mitigation while balancing undue market fragmentation. He noted that a "Follow-Up Group"

formed by the International Organization of Securities Commissions ("IOSCO") is revisiting the work of the Cross-Border Task Force set up in 2013. One of the group's tasks is the examination of instances of market fragmentation in securities and derivatives markets and the potential reasons why fragmentation has developed. The group is also tasked with building a central repository of supervisory memoranda of understanding to strengthen collaboration and cooperation between IOSCO regulators. The group has been reaching out to IOSCO members, the industry, and other stakeholders, and will present its observations at the IOSCO meeting next month in Sydney.

Commissioner Quintenz stated that he was looking forward to hearing all of the distinguished members' and panelists' thoughts on the robust meeting agenda. He welcomed Vice Commissioner Shirakawa, who served on a panel with him at EUROFI two weeks before, where all of these issues were discussed at a very high level. He stated that it is important to repeat that there was language in the G-20 agreement that reflected all the leaders' commitments to insuring against protectionism and the fragmentation of markets and regulatory arbitrage.

Commissioner Behnam also welcomed Vice Commissioner Shirakawa, whom he saw the previous week. He stated that it is the right time to revisit the G-20 reforms, and the Commission should also let the past inform the future as we reflect on the crisis and how we can shape new policy to make sure that systemic risk is eliminated and that we have a robust, transparent, global marketplace. He welcomed everyone and said he was looking forward to the work of GMAC in the future.

Commissioner Berkovitz welcomed Angie Karna as the new Chair. He noted that the CFTC has been focused lately on collaborating with its international counterparts to harmonize regulations for derivatives trading. He also stated that as other countries are finalizing their rules, the CFTC's cross-border guidance and approach has provided it with a flexible framework to streamline access to international derivatives markets while minimizing risks that could come back to the United States. He stated that he was looking forward to hearing from all of the panelists and to the discussion.

II. Panel 1: Overview of Financial System Issues for the 2019 G20 Japan Presidency

The presenter for Panel 1 was Vice Commissioner Shirakawa. He focused on three priorities of Japan's G-20 presidency: (1) market fragmentation, (2) technological innovation, and (3) aging.

First, Vice Commissioner Shirakawa discussed ways to address market fragmentation. He explained that the Financial Stability Board ("FSB") and IOSCO have launched an initiative to identify the sources of harmful market fragmentation and to explore ways to address any financial stability risks. Vice Commissioner Shirakawa stated that potential sources of market fragmentation driven by regulatory and supervisory measures can be broadly classified into three categories: (1) inconsistencies in the implementation of international standards; (2) extraterritorial application of market regulation, or location policies requiring certain activities to be conducted in a specific jurisdiction; and (3) incompatibilities between domestic and foreign requirements. Vice Commissioner Shirakawa suggested that it may be useful to design processes

and approaches fitted to the various phases of regulations: the development of international standards, national rulemaking, deference and/or recognition of foreign regulatory frameworks, and daily supervisory activities. He stated that we need to explore how supervisory cooperation could be improved for mitigating fragmentation, as insufficient cooperation often leads to excessive conservatism in comparability assessments of foreign regulatory frameworks.

Vice Commissioner Shirakawa then discussed technological innovation in the financial sector. One immediate need is to mitigate the risks posed by crypto-assets. Since multilateral responses are needed given their borderless nature, standard-setting bodies are working on addressing crypto-asset issues in line with their mandates. On AML/CFT, the Financial Action Task Force ("FATF") is expected to submit a new Interpretive Note to the G-20 in June. Additionally, the FSB published a directory of crypto-regulators, as a basis for cross-border supervisory cooperation. The FSB is also exploring the underlying decentralized financial technologies and their implications for financial stability, regulation and governance. Vice Commissioner Shirakawa also noted that IOSCO is preparing a report on crypto-asset trading platforms.

Vice Commissioner Shirakawa noted that in collaboration with the Ministry of Finance and Bank of Japan, JFSA will examine the implications of aging for fiscal and monetary policy and the financial sector. JFSA's focus is on financial inclusion in an aging society. Aging is a global phenomenon, and both developed and developing countries are experiencing growth in the number and proportion of older people. Aging is particularly challenging for less developed economies with limited financial infrastructure. Vice Commissioner Shirakawa also discussed statistics related to dementia, which make it harder for older people to make financial decisions; the failure of wealth to keep pace with increased longevity; and the projected estimated retirement savings gap of 400 trillion U.S. dollars by 2050 for the eight advanced economies. Japan will chair the Global Partnership for Financial Inclusion ("GPFI") and identify emerging issues and potential policy responses. The GPFI will submit a report at the Ministers' and Governors' meeting in Fukuoka in June. He finally noted that Japan will also host a high-level symposium in Tokyo in June.

Chairwoman Karna thanked Vice Commissioner Shirakawa for his very informative presentation, and there was no panel discussion.

(Break)

III. Panel 2: Regulatory-Driven Market Fragmentation

Following the break, Chairwoman Karna introduced the second panel.

Mr. Kennedy addressed regulatory-driven market fragmentation. He noted that market fragmentation can trap capital, liquidity and risk in local markets, making the financial system and financial firms less efficient. The derivatives market is especially sensitive to market fragmentation issues because it has historically been the most global. In addition, barriers to entry or to competition within markets can make it more expensive for end-users to hedge their risk.

Mr. Kennedy noted that regulations are a source of some of the risk in the markets. ISDA published a paper earlier this year giving specific examples of regulatory driven market fragmentation. He noted that extraterritoriality, substituted compliance, and deference are all big issues, but there seems to be willingness among policymakers to cooperate. With respect to capital, there's a fundamental apprehension between participants in the EU and participants in the U.S. about the implementation of the new market risk capital rules. Mr. Kennedy discussed differences in the approaches taken by jurisdictions related to the net stable funding ratio, the credit valuation adjustment, and leverage ratio. He also noted jurisdictional inconsistencies with respect to initial margin for non-cleared swaps, timeframes for posting margin, collateral eligibility requirements, the posting of initial margin for inter-affiliate transactions, initial margin modeling, and back-testing. In the clearing area, he discussed clearing location policies, client clearing requirements, and requirements for margin period of risk. Other jurisdictional inconsistencies relate to trade execution, trading location policies and policies for trading personnel location; reporting requirements for trades and different definitions for data required to be reported; eligible counterparties and transactions covered by netting; and benchmarks. He mentioned that a new EU benchmark regulation will be effective in two years.

ISDA's paper articulated potential solutions, which Mr. Kennedy briefly described. First, he noted that it is important for policymakers to articulate the benefits of global markets and the dangers of market fragmentation. Second, he noted that, when policymakers meet to discuss global standards, it is important that they consult with other national regulators to make sure that it is possible to implement those standards. Many times there is agreement on a global level, but no agreement on a local level, which leads to regulatory arbitrage and market fragmentation. He suggested that it may not be appropriate for smaller jurisdictions to implement global standards where there's a *de minimis* amount of derivatives activity. He noted that everyone would agree that a line-by-line analysis is not going to work for regime comparability, and that ISDA's suggestion is for a risk-based framework for regime comparability. Third, he noted the importance of policymakers periodically taking a look at the regulations they have in place.

Chairwoman Karna started off the discussion session by asking committee members why market fragmentation has come to the forefront as a key priority, and what concerns committee members have that impact their organizations and are driving why market fragmentation is a key priority. Mr. Colby expressed concern that many benefits that the CFTC has provided to end-users are undermined by the lack of coordination between jurisdictions globally and lack of coordination between some of the regulators in the United States.

Chairwoman Karnà asked which areas the CFTC should prioritize. Mr. Hamill stressed the importance of trading execution and clearing rules and trading venues that allow customers to access pools of liquidity without fragmentation. Mr. Cutinho encouraged global regulators to build a foundation of deference and risk-based evaluation, and praised the CFTC's white paper.

Chairman Giancarlo noted that bank capital rules are largely set by bank prudential regulators and central banks. Therefore, it is difficult for the CFTC to influence dealer capital issues, which have a large impact on the markets the CFTC regulates. The CFTC has been vocal in areas like the Supplementary Leverage Ratio ("SLR"), but it's difficult to prevail because prudential and bank regulators look at the world not from a market's point of view, but from the

perspective of a bank's balance sheet. Many of the capital rules are biased against derivatives and clearing, yet clearing was one of the core mandates of the G-20.

Ms. Bradbury emphasized that regulators and the markets need better data. Mr. Müller stated that fragmentation that is harmful to the markets should not be confused with CCP fragmentation. According to Mr. Müller, in the CCP world, his firm Eurex has concentration rather than fragmentation. Some of the major asset classes have essentially ended up in one CCP. Mr. Müller has observed a CCP retreating from offering credit default swaps and another CCP not offering interest rate swaps clearing anymore. Therefore, Eurex is promoting competition in the field as choice and optionality are important for CCPs.

Chairwoman Karna then asked about the potential solutions which Mr. Kennedy had highlighted, and in particular which is most important and whether there are other potential solutions. Ms. Hong agreed with ISDA's recommendation for an ongoing regulatory review process, on a global basis and across all regulators. Ms. Belich described the difficulty for Canadian banks in pivoting between various regulators, and encouraged regulators to take the same approach in implementing substituted compliance and equivalency. Mr. Colby stated that you cannot prioritize substituted compliance and equivalency over implementing a risk-based framework.

Chairman Giancarlo stated that he agreed with the importance of moving to more risk-based approaches to data, and he commended the Chief Economist's office under Bruce Tuckman for their groundbreaking work on entity netted notionals as a new way of measuring the size of markets, which he characterized as a more risk-based approach than the traditional approach of using gross notional amounts.

(Lunch)

III. Panel 3: Trading on Exchanges or Electronic Trading Platforms and Clearing Through Central Counterparties

Ms. Cone began the next panel by discussing global trading on exchanges. First, she discussed the historical issues of cross-border centralized derivatives trading. Historically, there have been three key issues with the CFTC SEF and trading rules in the context of cross-border trading. First, liquidity is being fragmented across pools, across platforms, and across border lines resulting in separate liquidity pools for similar transactions. Second, "footnote 88" in the SEF release requires a facility to register as a SEF or obtain an exemption if it meets the SEF definition, even though it is not listing swaps that are subject to U.S. mandatory trading rules. This has led to non-U.S. trading platforms denying access to U.S. persons for fear of being captured by the SEF registration regime. Third, there is a potential for firms operating globally to face overlapping trading mandates, and now that the other jurisdictions have caught up with the U.S., firms can be forced with the decision to execute the same trade, but with different requirements on different platforms.

Ms. Cone then noted that there have been positive achievements. For the first time ever, the CFTC has achieved trading venue recognition with the EU and Singapore. Hopefully, the

CFTC will continue working with foreign regulators to achieve trading venue recognition in other non-U.S. jurisdictions.

Ms. Cone then presented ISDA's paper which analyzes the effect of mutual recognition on the order flow of trades executed on US/EU recognized trading venues. Ms. Cone presented diagrams of clearing and trade reporting flows on recognized Multilateral Trading Facilities ("MTFs"), Organised Trading Facilities ("OTFs") and Swap Execution Facilities ("SEFs") involving U.S. and EU counterparties under various scenarios. ISDA found that (1) trading venue recognition has had a positive effect on cross-border centralized trading, but the overall lack of global harmonization still poses challenges, and (2) granting recognition for certain rulesets, but not others, introduces complexity to cross-border trading. ISDA encourages regulators to issue wholesale, holistic comparability determinations using ISDA's risk-centered, outcomes-based approach. ISDA supports a de minimis trading activity exception for emerging markets.

Next, Mr. Lloyd presented on a December 2017 white paper by the Futures Industry Association ("FIA") and the Securities Industry and Financial Markets Association ("SIFMA") on reverse fragmentation. He noted that once swaps are subject to centralized trading and central clearing, they start to behave in many ways consistently with the futures markets. The futures markets are not fragmented in large part due to the CFTC's Part 30 regulations, which greatly contribute to the ability of U.S. firms to participate in foreign markets and set an excellent precedent. The U.S. and Europe have taken a number of very positive steps to facilitate cross-border trading in swaps, but markets in Asia, Latin America, and other non-U.S. jurisdictions should not be forgotten. He noted that the expansion of initial margin requirements for uncleared swaps will increase demand for U.S. access to non-U.S. CCPs.

Mr. Lloyd then explained the current framework for a U.S. customer to access non-U.S. CCPs, which under the CFTC's regime is bifurcated between customer clearing and proprietary clearing. In order for a U.S. customer to access a foreign CCP, the U.S. customer must clear swaps solely through a registered FCM and that registered FCM must clear at a registered DCO. To provide access to the five registered non-U.S. DCOs, a U.S. firm typically must have both a U.S. FCM affiliate that clears U.S. customer business and a non-U.S. affiliate that clears non-U.S. customer business. This structure directly exposes the U.S. FCM to the non-U.S. CCP's risk mutualization framework and can increase the overall firm's liquidity/funding risk. The non-U.S. CCP must directly satisfy U.S. customer protection requirements, which may not be consistent with local equivalents and in some cases has necessitated relief from the CFTC.

Mr. Lloyd then discussed the FIA/SIFMA proposal that the CFTC adopt an approach to foreign cleared swaps modeled on Part 30's approach to foreign futures. Under the proposal, a U.S. customer could access a non-U.S. swaps CCP either: (1) indirectly through a correspondent clearing structure involving the U.S. customer clearing through a U.S. FCM that in turn clears through an omnibus account carried by a non-U.S. clearing member of the non-U.S. CCP (similar to CFTC Rule 30.7); or (2) directly through an account carried by a comparably regulated non-U.S. clearing member of the non-U.S. CCP (similar to CFTC Rule 30.10). Mr. Lloyd stated that the Commission has adequate legal authority to do this, though he noted that there are questions in relation to the U.S. Bankruptcy Code for at least the indirect access model.

Mr. Lloyd then discussed Chairman Giancarlo's Cross-Border 2.0 white paper that addresses certain aspects of FIA/SIFMA's proposal. The white paper proposed to permit U.S. customers to access non-U.S. swaps CCPs in comparable jurisdictions through a comparably regulated non-U.S. clearing member. However, the white paper did not address the indirect access model. According to Mr. Lloyd, this is an important difference as he believes a number of U.S. customers will strongly prefer the indirect model because it will allow them to maintain their positions with a U.S. FCM.

Mr. Lloyd's presentation was followed by a discussion by the members. Issues discussed included implementation of the cross-border guidance; the Chairman's white paper on cross-border issues; the current regulatory environment for foreign CCPs and their ability to serve U.S. customers; comparability assessments; the concern that it is not cost-effective to be a clearing member; the importance for end users of facilitating impartial access to trading venues around the world; and lack of access by international CCPs to central bank accounts. One member asserted that U.S. law should be applied strictly to encourage a race to the top rather than deferentially which could impose risks on the U.S. financial system. Other members disagreed, arguing that the whole suite of European regulations are just as comprehensive and rigorous as the regulatory framework in the U.S., and that market fragmentation and fragmentation of liquidity are not positive for end-users and the markets.

Commissioner Berkovitz asked whether the CFTC's approach is a risk-centered outcomes-based approach that is consistent with ISDA's recommendations. A participant stated that he believes the CFTC is acting consistently with the recommendations, but more needs to be done. For example, footnote 88 remains an issue. The recognition of trading venues in the EU and Singapore has ameliorated market fragmentation, but hasn't eliminated the problem. For instance, there are minor technical disconnects in items like the trade reporting rules.

IV. Panel 4: Initial Margin for Non-Centrally Cleared Derivatives Contracts

Mr. Martinez presented on the development of international standards on margin on uncleared swaps. In 2011, the G-20 added margin requirements for uncleared derivatives to the post-crisis reform agenda. The same year, the Basel Committee on Banking Supervision ("BCBS") and the International Organization of Securities Commissions ("IOSCO") jointly created the working group on margin requirements ("WGMR") that included representatives from 25 regulatory authorities. In 2013, the WGMR published a framework that established minimum standards for margin requirements for non-centrally cleared derivatives. At the end of 2015, the prudential regulators and the CFTC voted on final rules.

For initial margin, there were five phases of compliance, with larger entities having to comply in 2016, and grace periods for smaller entities in each of the five stages. The third phase was in September 2018, and there are two more phases to go. The CFTC tried to obtain industry information through a survey of nine firms before adopting the rules, but had limited data in calibrating the requirements as it only received a response from one firm. Unfortunately very few entities come under the rule in the second and third phases. ISDA estimated that 1,100 entities will be coming into scope in the coming phases, and that the majority will come into

scope in phase five. However, the lion's share of initial margin was captured in the first three phases, since those are the phases in which larger entities came into scope. While the industry has been developing supporting practices, processes, and infrastructure, the CFTC doesn't know whether those 1,100 entities will be ready to comply.

Mr. Haynes discussed a paper that the CFTC's Office of the Chief Economist ("OCE") released in October 2018 that focused primarily on phase five. Consistent with ISDA's estimates, OCE found that approximately 704 entities would come into scope in 2020 during phase five. The paper concluded that most (75%) of the Phase 5 entities have less than $50 billion average aggregate notional amounts ("AANAs"), comprising just 30% of cumulative AANA. Phase five entities are concentrated around the low end of the threshold (especially non-financials). OCE also examined a proposed exemption for physical FX trades from AANA, which would reduce the number of covered entities by about 200 in phase five, particularly at the low end of the notional range.

The members then discussed some of the issues raised by Panel 4, including challenges that smaller entities face in complying with phase five; the effect of the proposed exemption for physical FX products; the challenges presented by implementation of phase five more generally; whether the implementation schedule should be delayed; and whether there are more meaningful measures than notional thresholds in terms of risk-weighting and determining which parties and asset classes should be subject to initial margin requirements. Mr. Martinez noted that BCBS-IOSCO recently clarified that documentation is not required until an entity crosses the $50 million threshold. He stated that regulators need to clarify expectations regarding what firms need to do as they approach the $50 million threshold. He noted that regulators had mistakenly assumed that people under $8 billion notional will never cross the $50 million threshold. He also noted that the CFTC is aware of issues related to asset managers. One member suggested that the CFTC issue guidance this summer if they believe those with less than $50 million exposure should not have to be subject to all of the requirements. Chairman Giancarlo said that the CFTC is very aware of this issue.

(Break)

V. Panel 5: OTC Derivatives Reporting to Trade Repositories

Following the break, Chairwoman Karna introduced the fifth panel.

Mr. Aron began the session by presenting an update on the Division of Market Oversight's ("DMO's") swap data roadmap implementation. He gave updates on proposals under parts 43, 45 and 49 of the Commission's regulations which are being drafted in response to DMO's roadmap review.

Mr. Aron also discussed DMO's international harmonization work. In April 2018, the CPMI-IOSCO Working Group for the Harmonization of Critical OTC Derivative Data Elements ("CDEs") published definitions, formats, and allowable values of CDEs to give authorities a comprehensive view of OTC derivatives. In the draft part 43 and 45 rulemakings, CFTC staff is proposing replacing existing required swap data fields with a standardized streamlined set that is

harmonized with the CDEs where possible and that can be issued and updated by staff as needed. Mr. Aron then provided an update on the CFTC's global harmonization work with respect to Legal Entity Identifiers ("LEIs"), Unique Transaction Identifiers ("UTIs'), and Unique Product Identifiers ("UPIs").

Next, Ms. Delp provided DTCC's perspective on progress made to date and where DTCC believes OTC derivatives reporting is headed. She gave background on the creations of DTCC's global trade repository service. She noted that, rather than follow DTCC's global approach to standardization, national legislators and regulators responded to G-20 commitments by first prioritizing domestic compliance. The result was a fragmented global reporting environment in which a firm regulated in multiple jurisdictions might have to report the same OTC derivatives transaction to multiple trade repositories, each one then applying different identifiers, reporting rules, data fields, terms and formats. Despite this fragmentation, she described the current state of reporting as a success. New industry-wide processes and procedures have been implemented to ensure that transactions across the multi-asset class, OTC derivatives universe can be reported in an accurate and timely fashion. Collaboration has continued to increase and trade repositories have acted as a valuable bridge between regulators, regulated firms, and industry bodies. Key industry bodies are establishing global data and processing standards for OTC derivatives, and work continues toward the removal of barriers to data sharing and third-party access to that data.

Ms. Delp noted that future, increased coordination by industry players including regulators will narrow differences across jurisdictions in reporting policies and practices for OTC derivatives. A global reporting framework built through collaboration and potentially enhanced through new technologies such as distributed ledger technology can enable trade repositories to better achieve their fundamental purpose, which is to provide regulators with the data they need to quickly identify and analyze systemic risks triggered by OTC derivatives trading.

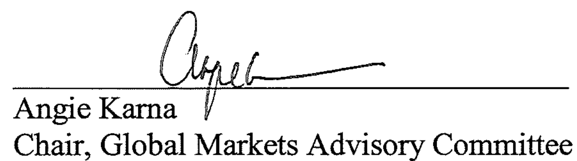
The presentations by Mr. Aron and Ms. Delp were followed by a general discussion by members. In response to Chairwoman Karna's question regarding how transparency with respect to swap data has impacted business and trading strategies, members discussed the importance of transparency, as well as the need to protect confidential information. One member said anything the CFTC can do to streamline and simplify is extremely helpful, as it can be difficult to figure out how to report unique bespoke products. Ms. Delp noted that market fragmentation has led some participants to bifurcate internal processes on the trade repository side, as they may no longer be able to send a single message to multiple regulators, resulting in an increased cost burden. Some participants noted that duplication and fragmentation in the market can disproportionately affect small and medium-sized banks, which have fewer resources. Mr. Aron said that UTI differences can impede the CFTC's ability to get a global view of a participant's risk exposure. Chairman Giancarlo expressed his disappointment with the lack of progress being made by some global bodies, as a number of key regulators do not have a mandate to implement global standards the way the CFTC does. Ms. Delp's advice to global regulators was to follow in the CFTC's footsteps; adopt CDE and do not make changes to what CDE has proposed, unless everyone is going to make the same changes; and adopt UTI and UPI, in coordination, at the same time.

VII. Closing Remarks

In closing, the Chairman and Commissioners expressed their thanks to Commissioner Stump, her staff, and Ms. Karna for an excellent meeting discussing the challenges and different perspectives concerning global market issues.

Ms. Goldsmith adjourned the meeting at 4:13 p.m.

I hereby certify that the foregoing minutes are accurate.



Angie Karna
Chair, Global Markets Advisory Committee

November 21, 2019
Date