
DTCC protests swaps data reporting rules

By Editor Test Thu, Jan 17, 2013

A proposed CFTC rule would require that customers who trade derivatives at the Chicago Mercantile Exchange must direct their cleared trades to the CME's own captive swap data repository.

DTCC, the Depository Trust & Clearing Corporation, has complained to the U.S. Commodity Futures Trading Commission (CFTC) about a perceived “lack of clarity, arbitrariness, and inconsistent rulemaking” by the agency on the regulatory reporting structure for over-the-counter (OTC) derivatives transactions.

In a comment letter filed with the CFTC this week, the DTCC urged the Commission to “address inconsistencies regarding the conclusion of its recent swaps data reporting public comment period, as well as to publicly address how it plans to consider third party comments and questions raised about the impact of The Chicago Mercantile Exchange Inc. (CME) proposed Rule 1001.”

According to DTCC, proposed Rule 1001 would allow inappropriate commercial bundling of swap data repository (SDR) and clearing services by CME (and other derivatives clearing organizations), and eliminate the ability of market participants to choose their preferred SDR.

The proposed CME rule would require, as a condition for using CME clearing services, that all CME customers have their cleared trades directed to CME's own captive SDR. This would undermine the intent of Dodd-Frank's provisions on fair and open access, market protection, trading transparency, risk mitigation and anti-competitive practices.

DTCC asked the Commission to extend the review period by 45 days to appropriately analyze the “novel and complex issues” associated with Rule 1001. DTCC also submitted a report by the economic consulting firm, NERA, which outlines the potential anti-competitive and cost-benefit ramifications of CME proposed Rule 1001.

Several trade associations and market participants have all expressed concern with the proposed change, DTCC said in a release. This group includes the Association of Institutional INVESTORS (AII), GFMA FX Division, International Swaps and Derivatives Association (ISDA), Securities Industry and Financial Markets Association (SIFMA), Wholesale Markets Brokers' Association, Americas (WMBA), Moore Capital Management, LP., Citigroup Inc., Deutsche Bank and JPMorgan Chase & Co.

DTCC has raised a series of objections to CFTC action regarding the swaps data rulemaking process and the impact of proposed Rule 1001, including a January 8, 2013 comment letter in which DTCC showed how Rule 1001 could undermine the intent of Dodd-Frank, decrease transparency for investors and regulators, and increase risk to global financial markets.

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