

## MEMORANDUM

TO: File No. S7-34-10

FROM: George M. Gilbert

RE: Summary of meeting with Markit regarding trade reporting issues in SBSR Rule Proposal

DATE: March 20, 2014

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On February 27, 2014, representatives from the Securities and Exchange Commission's Division of Trading and Markets (Heather Seidel, Gregg Berman, Tom Eady, Michael Gaw, George Gilbert, Jeffrey Mooney, Claire Noakes, and Stephanie Park) and Division of Economic and Risk Analysis (Burt Porter) had a meeting with Henry Hunter, Marcus Schueler, Allison Labovitz, Gina Ghent, Jeffrey Maron, Claire Lobo, Jim McLoughlin, and Kirston Winters of Markit and Peter Malyshev of Latham & Watkins LLP.

Among the topics discussed were issues raised in Markit's comment letters, including the data reporting and dissemination requirements for cleared security-based swaps arising in connection with proposed Regulation SBSR – Reporting and Dissemination of Security-Based Swap Information (File No. S7-34-10).

Attachment (provided by Mr. Maron)

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# SEC - Regulatory Reporting

April 25, 2014



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## Agenda

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Overview of Markit / MarkitSERV

Reporting Obligation

Our Experience



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## Who we are

markit<sup>®</sup>

We are a leading global diversified provider of financial information services

**2003**

Founded

We help our customers reduce risk, improve operational efficiency and benefit from enhanced transparency

**3,000+**

Employees

Our customers include investment banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies

**20+**

Offices

**Our products and services are organised into three divisions**

**Information**

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Indices, pricing and reference data across asset classes, enabling our customers to price instruments, comply with regulation and analyse markets

**Processing**

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Global trade processing solutions for over-the-counter derivatives, foreign exchange and syndicated loans, optimising workflow and reducing risk

**Solutions**

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Configurable enterprise software platforms, managed services and hosted custom web solutions allowing institutions to capture, organise, process and analyse information, manage risk and meet regulatory requirements

### Background

- MarkitSERV, now a wholly owned subsidiary of Markit, launched in September 2009 as a joint venture between DTCC Deriv/SERV and Markit, as a response to market participants looking to accelerate the adoption of electronic trade confirmations from the historical manual-based process.

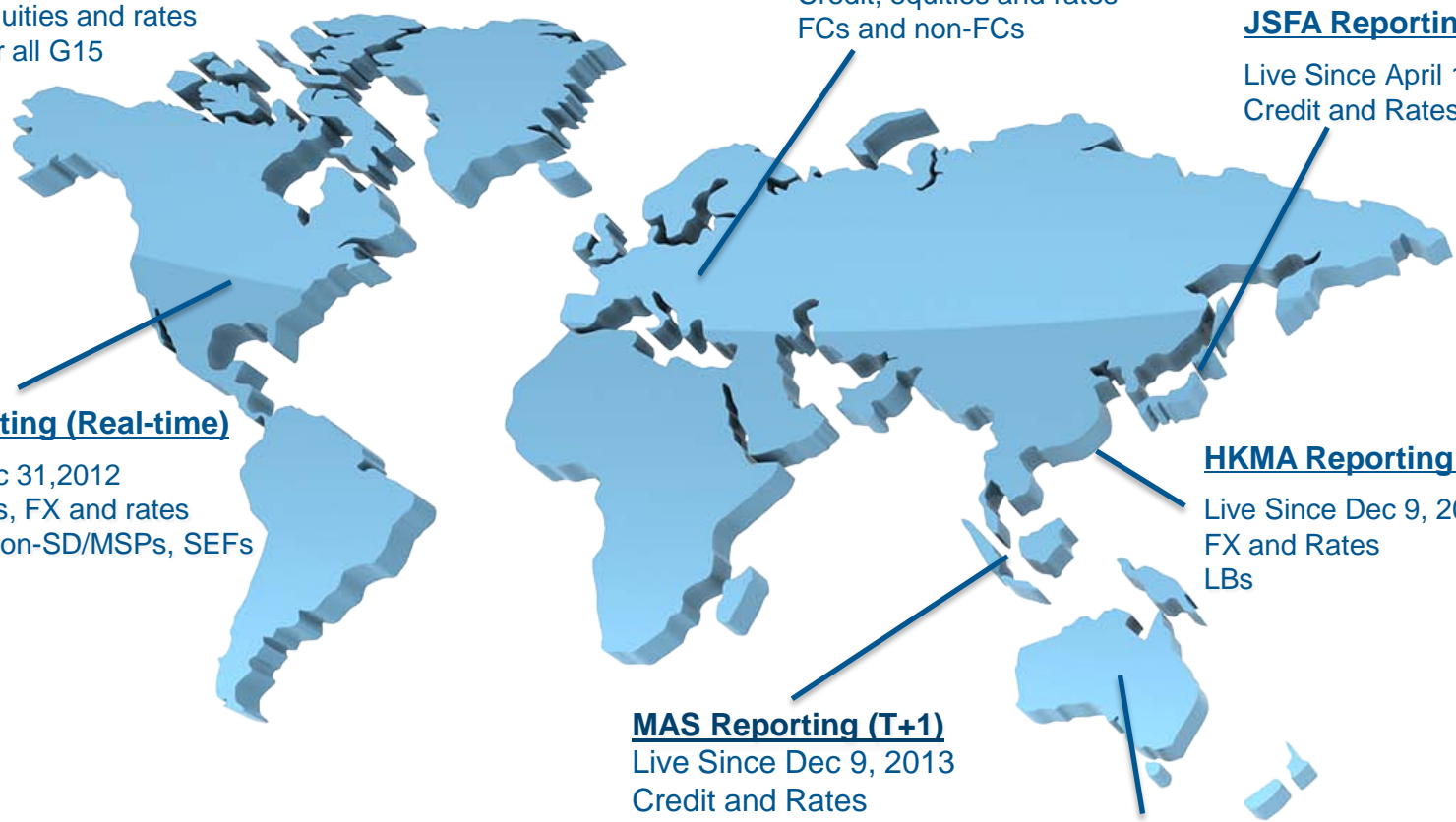
### What We Do

- MarkitSERV provides a single gateway for over-the-counter (OTC) derivative transaction processing globally, serving to reduce operational risk, streamline processing, and improve the safety and certainty of the OTC derivatives markets by simplifying and automating the entire post-trade life-cycle in a fair and open access environment.
- MarkitSERV offers trade processing, confirmation, regulatory reporting and connectivity services across regions and asset classes, including credit, equities, interest rate and FX derivatives.

### The Numbers

- Regulatory reform has greatly increased the demand for our services. MarkitSERV has more than 1,500 active clients across dealers, buy-side firms and execution venues and handles in excess of 80,000 OTC derivative processing actions per day.

# MarkitSERV trade reporting by regime



## ODRF Reporting (T+1)

Live Since Dec 2011  
Credit, equities and rates  
Report for all G15

## EMIR Reporting (T+1)

Live Since Feb 2, 2014  
Credit, equities and rates  
FCs and non-FCs

## JSFA Reporting (T+1)

Live Since April 1, 2013  
Credit and Rates

## CFTC Reporting (Real-time)

Live Since Dec 31, 2012  
Credit, equities, FX and rates  
SDs, MSPs, Non-SD/MSPs, SEFs

## HKMA Reporting (T+2)

Live Since Dec 9, 2013  
FX and Rates  
LBs

## MAS Reporting (T+1)

Live Since Dec 9, 2013  
Credit and Rates  
Phase 1A Banks

## ASIC Reporting (T+1)

Live Since Dec 9, 2013  
Credit and Rates  
A5 Banks

### **Suggested phase-in:** Trade acknowledgment and confirmation, reporting, mandatory clearing, mandatory trading

- Trade acknowledgment and confirmation plays a crucial role in the legal and operational workflows and as such merits timing with or prior to SDR reporting
- Cross-border rules, definitions, registration requirements for SDRs, SBSDs and MSBSPs are a pre-requisite to the reporting start

### **Suggested reporting phase-in:**

- SBSDs and MSBSPs for credit
- SBSDs and MSBSPs for equities
- Non-SBSD/MSBSPs for credit and equities

This will reduce execution risk and will help ensure data quality. This is needed as different products and types of participants are faced with different levels of complexity and have different resource constraints

### **Single SDR:**

- Life-cycle events should be reported to the same SDR, to avoid the potential for duplication



### Markit's Experience

#### Open access to regulated entities

— Ensure that CCPs and others can not restrict access or bundle connectivity

#### Embargo rule

— Explicitly allow SEFs to use third parties to report trades to an SDR and “flash” trade notifications upon “transmittal” of real time trade data to either an SDR or a third party providing SDR connectivity

#### Reporting Nexus

— Avoid non-US firms being required to report because they use US personnel to arrange a deal

#### Footnote 195

— Explicitly allow SEFs to use third parties for e-confirmations, and do not require them to hold paper ISDA master agreements or master confirmation agreements

### CFTC Approach

#### Open access to regulated entities

— Impose certain antitrust requirements on regulated entities ensuring open access

#### Embargo rule

— We have discussed with CFTC staff the need to issue an interpretation or Q&A regarding the embargo rule in order to enable market participants to use work-ups

#### Reporting Nexus

— Issued no-action relief from the need for non-US dealers using US-located personnel to comply with transaction-level requirements

#### Footnote 195

— CFTC staff are planning to issue an interpretation or guidance regarding compliance with footnote 195

### Markit's Experience

#### Footnote 88 - "SEF permitted"

- Trading of only non-MAT (permitted) products on a venue should not trigger SB SEF registration requirement

#### Mixed Swaps

- A clear definition of swaps that fall under CFTC versus SEC jurisdiction, to avoid dual reporting

#### Cross border application of Dodd Frank

- Co-ordination with global regulators to avoid overlapping regulation causing duplicate reporting

### CFTC Approach

#### Footnote 88 - "SEF permitted"

- Trading of only non-MAT (permitted) products does trigger SEF registration requirement

#### Mixed Swaps

- No clear CFTC guidance regarding swaps that fall under CFTC versus SEC jurisdiction

#### Cross border application of Dodd Frank

- CFTC issued substituted compliance determinations for entity-level requirements for Australia, the EU, Hong Kong, Japan and Switzerland, and certain transaction-level requirements for the EU and Japan



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**Contact us**

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For additional information, or if you have any questions, please contact:

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Thank you.

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scales volume  
extends networks  
& transforms business.

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