

FINANCIAL INFORMATION FORUM

October 22, 2024

By email

Office of Financial Research
U.S. Department of the Treasury
717 14th Street, NW
Washington, DC 20220

Attn: Michael Passante, Chief Counsel
Sriram Rajan, Associate Director of Financial Markets
Laura Miller Craig, Senior Advisor
Corey Garriott, Director of Research

Re: U.S. Department of the Treasury, Office of Financial Research, Ongoing Data Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market, 12 CFR Part 1610

Dear Mr. Passante, Mr. Rajan, Ms. Miller and Mr. Garriott,

Financial Information Forum (“FIF”) is submitting this letter on behalf of the members of FIF in response to (i) the rule adopted by the Office of Financial Research of the U.S. Department of the Treasury (the “OFR”) to require reporting of non-centrally cleared bilateral repos (the “NCCBR rule”),¹ (ii) FAQs published by the OFR relating to the NCCBR rule titled “Frequently asked questions about NCCBR reporting” (the “FAQs”),² and (iii) other documentation published by the OFR relating to the NCCBR rule, as discussed below. Under the NCCBR rule, firms that meet specified activity thresholds (“covered reporters”) are required to report to the OFR specified data relating to non-centrally cleared bilateral repurchase agreement transactions (“repos”). FIF is submitting this letter as a supplement to the letters that FIF submitted to the OFR on June 20, July 17, August 22, 2024, September 12, 2024 and September 24, 2024.³

¹ 12 CFR §1610.11 (Non-centrally Cleared Bilateral Repurchase Agreement Data).

² U.S. Treasury Department, Office of Financial Research, “Frequently asked questions about NCCBR reporting”, available at <https://www.financialresearch.gov/data/collections/nccbr-faq/>.

³ Letter from FIF to the OFR dated June 20, 2024, available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=2953:fif-letter-to-the-treasury-department-s-office-of-financial-research-relating-to-the-implementation-of-reporting-of-non-centrally-cleared-bilateral-repos&view=category>.
Letter from FIF to the OFR dated July 17, 2024, available at <https://fif.com/index.php/working->

Given that the implementation date for repo reporting is December 3, 2024, many firms have already commenced significant work towards the implementation of this reporting. For reporting issues and questions where further guidance is required, many firms have already had to make decisions on how to report and to move forward based on those decisions. In many cases, if the OFR provides guidance after today, firms will not be able to implement reporting changes by the compliance date to conform to the OFR's guidance. At the same time, FIF members believe that it is important for the OFR to provide guidance on open issues raised in this letter, and in letters previously submitted on behalf of FIF members, as this will, in the long-term, facilitate consistent reporting across covered reporters and ensure that covered reporters are reporting in conformance with the OFR's expectations.

1. Calculation of open commitment

The question in this section applies to a repo that is not an intra-day repo. FIF members request that the OFR provide written confirmation that a firm would not count this type of repo as part of the firm's open commitment for the close date of the repo.

2. Versioning of file names

The FAQs provide the following guidance for corrections:

When corrections to previous reports are necessary, the filer should identify the prior file observation Date and contact the OFR to inform staff that a full amended report for that file observation will be submitted.

A single complete report is required from each covered reporter for each file observation date. Resubmissions follow the same requirement. The most recent report received will be understood by the OFR to be the covered reporter's complete report for the specified file observation date. Covered reporters should not submit individual transactions or partial files.⁴

[groups/category/271-comment-letters?download=2967:fif-supplemental-letter-to-the-treasury-department-s-office-of-financial-research-relating-to-the-implementation-of-reporting-of-non-centrally-cleared-bilateral-repos&view=category](https://fif.com/index.php/working-groups/category/271-comment-letters?download=2967:fif-supplemental-letter-to-the-treasury-department-s-office-of-financial-research-relating-to-the-implementation-of-reporting-of-non-centrally-cleared-bilateral-repos&view=category). Letter from FIF to the OFR dated August 22, 2024, available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=2990:fif-second-supplemental-letter-to-the-treasury-department-s-office-of-financial-research-relating-to-the-implementation-of-reporting-of-non-centrally-cleared-bilateral-repos&view=category>. Letter from FIF to the OFR dated September 12, 2024, available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=3001:fif-third-supplemental-letter-to-the-treasury-department-s-office-of-financial-research-relating-to-the-implementation-of-reporting-of-non-centrally-cleared-bilateral-repos&view=category>. Letter from FIF to the OFR dated September 24, 2024, available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=3010:fif-fourth-supplemental-letter-to-the-treasury-department-s-office-of-financial-research-relating-to-the-implementation-of-reporting-of-non-centrally-cleared-bilateral-repos&view=category>.

⁴ NCCBFAQ-0012, titled "What happens when there are errors in the reports, and how do covered reporters submit corrections?"

The Technical Guidance provides the following guidance for file names:

The file naming standard for completed reports is OFR_SFT_2_LEI_YYYYMMDD.txt (or *.csv) – where “YYYYMMDD” represents the File Observation Date of the report (ISO 8601), and “LEI” represents the 20-character code of the Covered Reporter LEI. The checksum file will follow the same naming standard with the word “_checksum” appended to the end, for example, OFR_SFT_2_LEI_YYYYMMDD_checksum.txt.⁵

If a covered reporter submits a correction file for a previously submitted file, the covered reporter is required to use the same file name for the previously submitted file and for the correction file. This creates challenges for covered reporters in internally managing these files (for example, two files with the same filename cannot be saved in the same folder). Accordingly, FIF members request that the OFR add versioning to the file name. With this versioning, each correction file would be the next version of the previously submitted file for the applicable observation date. FIF members propose that a covered reporter could (i) identify its initial filing for an observation date as V1 and the first correction file as V2; or (ii) identify its first correction file as V1.

3. Corrections

Cancellations, terminations and amendments

FIF members request confirmation that the cancellation, termination or amendment of a repo by a covered reporter would not require the resubmission of files submitted for prior observation dates unless the cancellation, termination or amendment is the result of the covered reporter discovering that the repo was previously reported mistakenly or incorrectly to the ORF as of the prior observation date. For example, if a covered reporter terminates or cancels a repo with a counterparty, this would not require a resubmission for prior observation dates, but if the covered reporter discovers that it should not have reported the repo for the initial observation date because it had never entered into the repo, this would require resubmissions for the prior observation dates.

Same-day cancels

FIF members request confirmation that a covered reporter should not report a repo (other than an intra-day repo) that is cancelled on the date that the repo is entered into.

Proposed materiality standard for corrections

FIF members are concerned about the volume of full correction files that covered reporters could be required to submit. For example, if a repo is reported for three months and an error is subsequently discovered, a covered reporter would need to resubmit approximately 90 complete files. FIF members also are concerned that the resubmission of a full correction file could impact repo transactions in the

⁵ Technical Guidance for Transmission of the Report of Non-centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market Office of Financial Research Report OFR, SFT-2 (Sept. 25, 2024), available at <https://www.financialresearch.gov/data/collections/files/nccbr-technical-guidance.pdf>, at 2.

correction file that were previously submitted and reported correctly for the applicable observation date.

Accordingly, FIF members request that the OFR provide a materiality standard for corrections such that a covered reporter would be permitted, but not required, to submit a correction file if the current cash amount of the repo transactions to be corrected represents less than 1% of the current cash amount of the repo transactions in the previously submitted file for the applicable observation date.

Error discovered by a covered reporter

FIF members request clarification as to whether a covered reporter is required to resubmit a file for a prior observation date if the covered reporter discovers an error or if a covered reporter is only required to resubmit a file for a prior observation date if an error is discovered by the OFR and the OFR notifies the covered reporter.

Time limit for corrections

FIF members propose that the OFR provide a time limit beyond which corrections are no longer required (for example, one year after termination of the applicable repo).

4. Reporting repos on the end date

Current status

In this section, FIF members want to distinguish between (i) what FIF members consider to be the appropriate approach for reporting for the end date of a repo, and (ii) the implementations currently planned by FIF members. FIF members agree that covered reporters should not report a repo on its end date. The reasons for this conclusion are discussed below. At the same time, some FIF members, based on FAQ 30 (discussed below), are planning to report repos on their end date. Other FIF members, based on the lack of clarity on how to report specific fields on the end date (specifically, current cash amount, securities quantity, and securities value, as discussed below), and concerns relating to OFR validations described in the OFR's Technical Guidance document (as discussed below), are not planning to report repos on their end date. The discussion in this section relates to repos other than intra-day repos.

Covered reporters should not report repos on their end date

FIF members request that the OFR reconsider FAQ 30, which provides as follows:

The rule requires a repo to be reported every day that it is an outstanding obligation of the covered reporter. This begins on the trade date and ends on, and is inclusive of, the date when it ceases to be an obligation, typically on the settlement date of the close leg.

FIF members do not believe that a repo (other than an intra-day repo) should be reported on the end date because reporting is on an end-of-day basis and a repo is no longer outstanding as of the end-of-

day on the end date. Stated another way, the repo is no longer an outstanding repo in the relevant firm's books and records as of the end-of-day on the end date. This reporting also does not provide any additional information to the OFR because the covered reporter has previously reported the end date of the repo to the OFR in the covered reporter's filing for the prior file observation date.

Need for additional guidance if the OFR requires covered reporters to report repos on their end date

If the OFR continues to require covered reporters to report repos on their end date, FIF members request the OFR to provide guidance as to how a covered reporter should report the following data elements on the end date: current cash amount; securities quantity; and securities value. Some FIF members are planning to report the values of these fields on the end date as zero, but these members are concerned that reporting zero for these fields would cause rejections based on Data Element Validation Checks #27 (Current Cash Amount is positive), #41 (Securities Quantity is a positive number) and #42 (Security Value is a positive number) in the Technical Guidance document. Other FIF members are planning to report the securities quantity and securities value on the end date based on the values reported for these fields for the prior observation date. It is important to highlight that a covered reporter would no longer record the quantity or value of the collateral for a repo as of the end-of-day on the end date.

If the OFR provides guidance on the issues discussed in this section subsequent to the date of this letter, covered reporters will require a reasonable period of time to report in accordance with the OFR's guidance.

5. Scenario where the closing leg does not settle on the agreed settlement date

In the previous section, FIF members request that the OFR provide guidance that a covered reporter should not report a repo on the end date. FIF members further request that the OFR provide confirmation that, in the scenario where the closing leg of a repo does not settle on the agreed end date, a covered reporter should not report on or after the agreed end date. Table 1 to paragraph (c)(3) of the rule ("Table 1") describes the end date as "The date the repo matures." FIF members interpret this to mean the date agreed to by the parties as the termination date for the repo. If the closing leg of a repo does not settle on the end date, this does not change the end date. FIF members also note that if a covered reporter were to try to report a repo transaction after the end date, this would result in a violation of Data Element Validation Check #6 (File Observation Date is equal to or less than the End Date).

If the OFR provides guidance that covered reporters must report a repo where the closing leg does not settle on the agreed settlement date, many covered reporters will require a significant period of time to conform to this guidance as this would require extensive work for many covered reporters to link trading and settlement systems.

6. Current cash amount

Table 1 describes current cash amount as “The amount of cash to be transferred by the cash borrower, inclusive of principal, accrued interest and other adjustments, as of the end of the business day.” FIF members are not aware of any type of “other adjustment” that would impact the current cash amount. If the OFR is aware of any type of “other adjustment”, FIF members request that the OFR provide clarification on this point. More specifically, FIF members do not consider that the posting of margin by a borrower would impact the current cash amount because the posting of margin does not impact the amount owed on the repo. In addition, margin can be posted on a portfolio level (as opposed to for a specific repo).

Any change from the current understanding of FIF members with respect to the issue discussed in this section would require significant work and time for covered reporters to implement.

7. Validation that Floating Rate Rest Frequency is positive

Data Element Validation Check #34 (Floating Rate Reset Frequency is positive) is inconsistent with Validation Check #35 (When Floating Rate Benchmark = FIXED, Floating Rate Reset Frequency = 0). FIF members recommend that the OFR change Validation Check #34 to provide that the Floating Rate Reset Frequency must be positive or zero.

8. Changes to the Reporting Instructions and Technical Guidance

FIF members understand that the OFR updated the Reporting Instructions and Technical Guidance documents on September 25, 2024. This understanding is based on the title page of each of these documents. FIF members request that the OFR post on its website a redline of any substantive changes made to these documents. If the OFR is unable to post a redline for each document, FIF members request that the OFR add a version history for each document that identifies the date of each version of the document and further identifies for each version the sections that were changed and describes the change for each section.

9. Error feedback

Some FIF members have submitted test files with known errors and have not received any error feedback. FIF members request that the OFR automatically provide feedback to covered reporters for all test and production files submitted. The feedback should notify the covered reporter of any validation errors identified by the OFR system, including the following data for any data validation error: Transaction ID; and the OFR validation or validations that gave rise to the error. Without this feedback, the value of the testing process is limited. FIF members also request that the OFR publish expected timelines for providing feedback on covered reporter filings. FIF members further request that the OFR make this feedback available through an SFTP file so covered reporters can design their exception management processes more efficiently; SFTP feedback is available through other regulatory reporting systems, including the Consolidated Audit Trail.

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FIF and our members appreciate the OFR's attention to the items set forth in this letter. Please contact me at howard.meyerson@fif.com if you have any questions or would like further clarification as to any of the items above.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum