UNITED STATES OF AMERICA

COMMODITY FUTURES TRADING COMMISSION

# SWAP DATA RECORDKEEPING AND REPORTING REQUIREMENTS

# ROUNDTABLE

Washington, D.C.

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PARTICIPANTS:

CFTC Staff:

RICK SHILTS, Director
Division of Market Oversight

IRINA LEONOVA
Division of Market Oversight

JON MARC BUFFA
Division of Enforcement

JOHN ROGERS
Chief Information Officer

DAVID TAYLOR, Branch Chief
Market Continuity

ANDREI KIRILENKO

BILL NICHOLS
Office of Financial Research

ANNE SCHUBERT
Division of Market Oversight

NANCY DOYLE
Assistant General Counsel
Office of General Counsel

BRUCE FEKRAT

ALI HOSSEINI

REVA SPEAR ADRIANCE

MAURICE MELERA

GARY MARTINAITIS

JEFFREY STEINER

PARTICIPANTS (CONT'D):

TOM LEAHY

GEORGE PULLEN

Panel 1: Discussion about the existing systems of swap product classification and identification currently available:

MICHAEL ATKIN, Managing Director
Enterprise Data Management Council

KAREL ENGELEN
Head of FPML International Swaps and Derivatives Association

JIM NORTHEY, Co-Founder
LaSalle Technology Group, LLC

ERIC COHEN
XBRL International and XBRL U.S.

ANTHONY COATES
Londata

Panel 2: Coordination among various industry product classification and identification work-streams for the purpose of achieving a universal method to describe and classify swap products:

RICHARD SOLEY
Object Management Group

FRANK DEMARIA
International Swaps and Derivatives Association

MATT SIMPSON
CME Clearing

ROBERT GREEN
DTCC

PARTICIPANTS (CONT'D):

KARLA McKENNA
ISO

Panel 3: Implementation of a universal system of swap product classification and identification for the purpose of meeting various CFTC requirements:

ED DASSO
NFA

SUE COCHRAN
Cargill

SIMON WINN
BNP Paribas

BRUCE TUPPER
ICE Trust

NEIL CHINAI
Barclays

ROBERT GREEN
DTCC

BRIAN OKUPSKI
Markit

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P R O C E E D I N G S

(1:02 p.m.)

MR. SHILTS: Good afternoon, everyone. My name is Rick Shilts and I'm the director of the CFTC's Division of Market Oversight. I'm pleased to open this public roundtable to discuss product identifiers as they relate to our final rules that will be promulgated under Title 7 of the Dodd-Frank Act. We have a full agenda today that is designed to focus the discussion on the issues related to implementation of the data reporting rulemakings. The discussion's divided into three panels with a focus on technical aspects of swap product classification and identification.

As you probably know, the Dodd-Frank Act brings over-the-counter derivatives under comprehensive regulation. Standardized derivatives will be traded on transparent trading platforms and cleared by regulated central counterparties. There will be increased transparency as information on swaps and security-based swaps will be available to

regulatory authorities and transaction data will be available to the public on a real- time basis. The overarching goal is to reduce risk in our economy, which will greatly benefit the American public.

The CFTC completed the proposal phase of our rule writing to implement the Dodd-Frank Act. To facilitate comment on the regulatory scheme as a whole, the CFTC reopened or extended the comment period for most of our Dodd-Frank proposed rules for an additional 30 days. That additional comment period, which ended on June 2nd, gave the public an additional comment period to review the whole mosaic of our CFTC proposed rules. In addition, last month CFTC, along with the SEC, conducted a series of roundtables to hear the opinions and advice of persons with respect to the sequencing of implementation of various aspects of the legislation.

Today we hope to discuss a number of issues related to the technical aspects of swap product classification and identification. We

want to focus the roundtable discussions in three key areas. The first panel will review the systems of swap product classification and identification that are currently available. We would like to discuss how swap data is currently represented, whether by asset class type of participant or something else. What are the industry work-streams to standardize swap data representation and whether swap product classification approaches are different with respect to standardized versus non-standardized swaps?

Our second panel will address coordination among various industry product classification and identification work-streams for the purpose of achieving a universal method to describe and classify swap products. We'd like to learn about the current status of industry coordination in developing a standardized swap data classification and identification system, how swap data classification and identification initiatives interact with cash market data

classification and what are the industry objectives in the area of swap data classification and identification?

Our final third panel will focus on implementation of a universal system of swap product classification and identification for the purpose of meeting various requirements resulting from the Dodd-Frank Act. We have a team of representatives working on regulatory reporting, real-time reporting, swap execution facilities, large swap data reports, and position limit rulemakings to participate in this discussion.

Before we begin, I'd like to thank the many distinguished panelists who have taken time out of their busy schedules and have agreed to participate on these panels to discuss these subjects. I'd also like to thank the staff of the CFTC for their work in planning today's roundtable. We have been diligently reading and analyzing the numerous comments we have received in order to develop final rules that are consistent with the legislation, that take into

account the issues and cost to be born by market participants to come into compliance. We look forward to hearing the thoughts of the participants on the panels today to further this goal.

For the record, I would like to note that all statements and opinions that may be expressed in all questions asked by CFTC staff are those of the staff and do not necessarily represent the views of any commissioner or the Commission collectively. And now for a few housekeeping items.

Please note that this meeting is being recorded and a transcript will be made available to the public. The microphones are in front of you; press the button and you see the red light. This means you can talk. Please speak directly into the mic. When you finish, please press the button again to turn off the microphone. And finally, we would ask that you please restrain from using BlackBerrys or cell phones near the mics because they have been known to cause

interference with our audio system.

As I've noted, we have scheduled three panels. The first panel starts now at 1:00 and ends at 2:00. Our second panel will run from 2:15 to 3:15, and our third panel is scheduled to run from 3:30 to 5:00. So now I'd like to get started with the first panel.

Before we begin the discussion, I'd like to go around the table and have everyone introduce themselves and identify who they represent, and I'll start out. Again, I'm Rick Shilts, I'm the director of the Division of Market Oversight here at the CFTC.

MR. ROGERS: I'm John Rogers. I'm the CIO at the CFTC.

MR. TAYLOR: David Taylor, the branch chief for market continuity at CFTC.

MS. LEONOVA: Irina Leonova, Division of Market Oversight at CFTC.

MR. NICHOLS: Bill Nichols, Office of Financial Research, Treasury -- Information Standards.

MS. SCHUBERT: Ann Schubert, economist in the Division of Market Oversight.

MS. DOYLE: Nancy Doyle, assistant general counsel of the Office of General Counsel.

MR. ATKIN: Mike Atkin, managing director of the Enterprise Data Management Council.

MR. ENGELEN: Karel Engelen, from ISDA representing FPML.

MR. NORTHEY: Jim Northey, representing the Fixed Protocol Limited as America's region co-chair, and also chair of the U.S. ASC X.9 XD Committee on Financial Services. Thanks.

MR. COHEN: And my name is Eric Cohen and I'm here today representing XBRL International and XBRL U.S.

MR. BUFFA: And I'm Jon Marc Buffa, a senior trial attorney in the Division of Enforcement.

MR. SHILTS: Okay. And again, thanks to all for participating. As I mentioned earlier, in Panel 1 we'd like to review the existing systems

of swap product classification and identification, so I guess I'll kick it off with the first question.

How is our swap data currently being represented, in terms of different formats and standards, and how does it vary by asset class or participant or any other criterion? Anyone want to start?

MR. ENGELEN: I'm happy to start.

MR. SHILTS: Oh, and Jim, if you would --

MR. NORTHEY: Yeah. Okay.

MR. ENGELEN: So FPMLs and institute-driven open market standard that development started about 10 years ago and it's a standard that really focuses on OTC derivatives. So we at FPML, we cover the different asset classes, rates, credit, commodities, FX, and equity. And what essentially we're doing is providing a structured XML representation from the data, mainly, that you have for OTC derivatives, if you look at it from a confirmation perspective.

Now, from a confirmation perspective we extended into other areas, such as pricing and risk. And a very important area, for example, for the moment is the work that we're doing on reporting, representing the regulatory reporting needs. How can we do that for OTC derivatives?

FPML as a standard, it's obviously a messaging standard, but important as well because of the nature of OTC derivatives. A lot of work has been done to represent the different individual instruments. And as such, there the standard describes all these different instruments, either through the representation in the FPML schemer or through the different schemes that we have. And the schemer and the schemes together, they actually can be used to -- or you can look at them as a taxonomy and they can be used to query data around OTC derivatives.

One other very important point is that in OTC derivatives the underlying legal documentation is very important because that's basically what drives the contracts. And the XML

standards, FPML has been developed, really, starting from those legal definitions. So the way we work is whenever there are new legal definitions that get defined, we can develop XML representation within FPML and parallel, so there's this very close link between the two.

So, the result of that is that -- certainly for the commonly traded OTC derivatives -- you have these representations in FPML which really are a representation of the full products and, as a standard, it is widely used within the industry, certainly within the areas of rates and credits, and particularly confirmations. A lot of the trades are represented in FPML in central infrastructures or within the systems internally of the different players.

MR. ATKIN: We take a little bit of a different approach. We focus on defining the common language associated with all financial instruments. All of their facts about the instruments and all of the relationships associated with the instruments, we'll call that

an ontology or semantic structure about the legal contract itself. So we have -- we start with a contract, we define all of the instruments that exist based on that contract, define the facts about those instruments, the relationships of those instruments to make sure that there is a formal and factual representation of the reality of that derivative. And then from that elementized structure you can then mix and match and understand exactly what it is that you're looking at and how it behaves.

MR. NORTHEY: The fixed protocol, actually, it's often confused with just a -- it's more than one thing. It's often confused with just a messaging protocol and transmission control protocol. And while the fixed session layer is very important in terms of reliable communication and many millions of messages, we tend to focus, ourselves, on the business processes that sit above the trading. And the scope of a fix is actually pre-trade, trade, and post- trade. We view that we actually deliver the information

within those business processes, so we've modeled -- primarily listed instruments being equities, fixed-income FX, and listed derivatives.

And we stopped -- we go up to pre-settlement. And when we go into settlement, there we start to move into the peer ISO processes that are best defined by ISO 15-022, but there's a larger framework within many of the organizations up here work and participate in. And that's the ISO 20-022 initiative, which is both a messaging model that expands the entire range of financial services, not just the parts that are covered by CFTC. It covers payments, it covers trading, and yet it's very comprehensive. And within ISO 20-022 there's multiple components and layers, if you will.

There's messaging, yes, but there's an important business model that continues to evolve and we've spent the last 15 years evolving and improving that business model. The main part of that business model that describes financial instruments was originally -- the work was

originally started by FISD with the MDDL standard. That work was then evolved into what was called the FIBM standard. And the FIBM work was a separate ISO standard that was moved fully under ISO 20-022.

Just recently, with version 1.5 of ISO 20-022 we significantly re-factored that model and I think it's an excellent core and a starting place for referencing financial instruments. And there's a parallel effort going on in Europe led by the ECB called Target 2 Securities, and I think probably one of the most sophisticated and robust and complete models that exist now are the one that the ECB has. And we're hoping that parts of the ECB model that aren't in there already will find themselves in ISO 20-022.

We've been going through a reverse engineering process of making sure all of the fixed protocols represented in the ISO 20-022 model -- and I have to say, there were some technology issues that were holding us back from version 1.0 that are no longer there in version

1.5. I'm very happy to say, working with some key experts, including experts from the Object Management Group who participated in ISO 20-022, we now have that model on a very industry standard open platform that can be shared and used widely.

I think it's enough to the point that I can actually work with my friend Karel here to actually now start to pull in the FPML piece of this work. Two years ago, prior to version 1.5 of that standard, I was actively -- FIX gets involved with firms that trade multi-asset class, including OTC derivatives. We would have actually encouraged them not to sort of integrate. But I think we're now at a point where we'd like to integrate further the OTC derivatives into the ISO 20-022 model.

And it's important because the technologies there is stuff that today can start to actually disseminate and distribute and pull together information. So, you have to look at standards more evolutionary, not as an endpoint. And you have to look at compliances, not a binary

yes or no thing. It's a matter of degrees. And is it better to have six exchanges agreed to mostly adopt, with a few differences, say, FIX, or should we say you have to adopt that exactly right or not at all? I think you have to look at it more and I would say in the degree of adoption and commonalities to reduce the overall cost to the industry and also promote time to market issues.

And so, you know, FIX has sort of been the pragmatic non-ideological perspective and as that we've gained a lot of adoption by being a little more practical with our approach. But we've found a lot of benefits and we've invested quite a bit of member's money in this ISO 20-022 model and I think it's where most of the focus needs to be going forward.

With that said, the next important piece of this work, which we weren't prepared to adopt because the technology wasn't mature enough, when we looked at doing version 1.5 of the standard, we spent many, many months debating the use of semantic modeling versus non-semantic modeling.

And we really were looking for maybe an OWL or an RDF -- this is technical terms -- looking to adopt that because we saw that's the ultimate evolutionary step towards what you do for definitions.

And right now, as of 2011, and with the completion of version 1.5, we have a platform. And there's been a working group called ISO TC-68. For those of you who don't spend all your time, like I do, dealing with standards politics (inaudible), ISO TC-68 is the International Standards Committee, responsible for all financial services standards. And it runs the gamut from just trade invoicing through trading securities, through all bank payment processes. They're all covered by ISO TC-68. ISO TC-68 Working Group 5, which is a startup, is given the mandate of adding a semantics layer onto the model, and we view that that's the important next step in our evolutionary process.

Now, if we were to drop one of these things -- a completed semantics layer -- onto

practitioners in the industries, exchanges, clearinghouses, and banks, they would look at you and they would wonder what they were supposed to do with it right now. However, that doesn't mean that we shouldn't positively be building it and working towards that. And the other thing about that is the amount of time you spend working on a single definition, it takes a lot of time. If you have to put all of that time in front of actually delivering information and providing transparency and an inventorying of what instruments are out there in front of things, I think you're going to end up losing a considerable length of time.

What we need to do is take existing mature standards that are already implemented -- the infrastructure's there -- start to capture the information while we're working on this extremely important initiative of providing a clear semantics model. We need to also look for what artifacts exist now that we can rely on right now that are also very definitive. One of those, for instance, is the FPML Dictionary of Terms. It's

well defined and it integrates inter-master agreements with FPML messaging, which interacts with the fixed messaging that goes on right now, and that can serve as a base as we're building this platform. I think we have to look at what purpose are we trying to address right now, today, and look at what technologies are readily available because right now, you know, there are more CDS's now, I think, in the marketplace than there were in 2008. And I think there's a time to market issue that we have to do and we don't want to put any important technological innovation in front of capturing this information, warehousing it, and starting to analyze it.

Now, when you start to talk about analyzing, it seems to me that when you look at large data set analysis, complex systems theory, almost every academic discipline is now relying on building up their own ontologies to provide pure native research. And we need that research done and we need that ontology built. The question is -- it's not a matter of if, the question is when?

And then, what are we looking at now? What is the purpose we're trying to fulfill at this moment in time?

And so, I think we have to say, what is your timeframe, what's the goal? And what is the most efficient way for that industry to get that information there? And because of its nature, I just want to make sure -- as we've done with the CFTC in the past, with large trader reporting and positions reporting, you know, we stand ready to work very closely with you to make sure this data gets delivered so that you can start to summarize it.

And we've also -- it may be a surprise to many people because of the wide adoption of FIX in the (inaudible) classes, but we don't approach standards as something that sold and we don't have an expansive perspective on this thing. In fact, one of the best things that happened to FIX over the last year is that we had a couple major, dominant members that were pushing us heavily into OCC derivatives. And right now you can represent

CDS's, and you can represent IRS's in FIX, but, you know, our view is that, wait, we would prefer to work with FPML/ISDA. And we've found ways to get our messaging to work together so that any FIX message can carry an FPML payload right now today.

So you could send a stream of trade reports from, let's say, an exchange into the CFTC for whatever reporting purposes and some of the messages could be FIXML for listed derivatives, very simple, simple basic (inaudible), and it could also carry FPML payload when it's appropriate to do that. If we follow the approach specified by ISDA of having a warehouse and a standard product identifier then you could do even more because we can carry that as part of our business messages that already exist to disseminate reference data information and also to, even, report trades. Do all the pre-trade activity referencing FPML objects, but so --

MS. LEONOVA: Thank you, Jim.

MR. NORTHEY: Thank you.

MS. LEONOVA: I want to make sure we

have time to touch base on XBRL.

MR. NORTHEY: Okay, sure. Okay, right.

MS. LEONOVA: And Eric is falling asleep, so we need to (inaudible) while he's awake.

MR. NORTHEY: Sorry. Thank you, Irina. Okay.

MR. ENGELEN: Thank you. XBRL is best known as the standard that's been embraced and adopted by the Security and Exchange Commission, as well as dozens of other world regulators for taking financial statements from companies around the world. It did begin with a much broader vision and that vision still remains that someday a piece of business information, once it hits any computer anywhere, never needs to be retyped as it moves into an organization through its trading partners, as it moves within that organization for operations and management purposes, as it's prepared for sharing with the outside, and as it moves outside and is shared, for example, with a regulator making it public again.

As a market collaborative XBRL has been developing specifications to integrate and improve processes and business reporting supply chain based on XML, base specification. Because it is from first transaction to end reporting we also try to know our place. We're not trying to compete with the transaction and purpose specific world of transactions. We try to pick up with a generic and holistic way of representing information from many different transactional purposes, express them in one face throughout in the RFP system and then be able to go to the purpose specific end reporting taxonomies.

So XBRL is a syntax, a way to represent the code books that companies are expected to report against; a way to extend those reporting concepts, so companies can tell their own story. It is the marked collaborative with organizations around the world and it's the code sets that come together.

As we speak about your question, in particular, who were some of the standard setters

who are saying what type of information is needed for swaps and similar information, one of the parties that has embraced XBRL for that purpose is the Financial Accounting Standards Board. The FASB is the developer of the 2011 U.S. GAAP financial reporting taxonomy. And in that taxonomy you'll find dozens of individual facts that work together so that companies and their financial statements, as they express their holdings in more summary on the face of the financials and then in tremendous detail in the notes, can express that information in a lot of detail.

The SEC has mandated the use of XBRL for financial reports. We're in the third year -- starting June 15th -- of the three year roll-out where the first year -- starting June 15, 2009 -- the largest 500 companies in terms of global float began reporting the face of their financials in detail, then notes and summary. The second year those 500 companies then began to do the exact kind of data that we're talking about today in

complete detail, every number, every fact that appears in the notes of the financial statement.

I looked at a tool that's provided by XBRL U.S. This morning. It's called the C Suite, available at csuite.xbrlus. I found that of the 1,700 companies that have reported approximately 8,000 filings to date, there are approximately 3,500 classes of facts directly related to swaps that have been reported in tremendous detail. And by "classes," I mean some of the attributes that you're talking about, with the basic line items and then -- I apologize that I'll use some technical or pseudo-technical words here -- axis and domain members to do the different slicing and dicing that I know that your organization needs and that the market needs to be able to identify and classify the information.

Now, the FASB and its rules and the codification 815 is among the rules that FASB puts out. In the international world IFRS, IAS 39 is modified by IFRS 9, is how they do that type of reporting. They give some broad strokes of how

companies have to report in those 3,500 some odd facts. You can see where companies have chosen to tell their own story by providing different types of attributes, whether it's the dates that different interest items may come through or the type of commodity that the swap relates to. So you'll see both the combination of what's required from the FASB that the SEC requires in their reporting and what the companies are choosing through tools like the C Suite and others, many of which are freely available. It's very easy to analyze this information and groups that are looking to analyze the types of attributes can use this as a very rich storehouse for the kind of information that's available.

I just chose one of the companies -- the very first one on the list -- and one company had disclosed approximately 550 individual swap items on one of their detailed financial statements. So, again, the direct answer is that the financial regulators are requiring it, the companies are currently doing it, XBRL is a format that is

currently mandated around the world for this reporting, and so we're already seeing in this first of three years that the detail was required where tremendous amount of swap information is being made available and can be used to analyze to come up with further answers for your questions.

MR. ATKIN: Maybe we can take a shot at unraveling some of this stuff, so that we can divide it up into its component parts. You, fundamentally, have two or three challenges. The first challenge is, can you define this derivative contract? And you defined it based on the contract with a common language, so that everybody understands all of the construction of the derivative: What's its characteristics, what's its structure, who's involved, dates, and payment rates, and schedules, and things of that nature. And we'll call that the semantic layer.

The second thing you do is you describe it in a computer-readable format. You know, you use XML and there are various flavors of XML that have sprung up independently, all of them sitting

around the table. And then you communicate it to lots of systems so it can be consumed and fed into their processes. All of these things are complementary. Up until now we've all been working in our silos to build the language, the schemas, and the protocols as part of one thing. We are now mature enough that we are separating these activities so that you can have schemas to communicate, semantics to define, and, in fact, all of these things work together.

I think the good news moving forward is that all of these activities are now working together. The industry is embracing the importance of precisely defining the instruments based on its attributes and then being able to communicate it in a way that can be processed by the firms. So I think what you're seeing now is the same activities that were described now being separated into its various components that we can assemble back together, which gives us a lot more flexibility in what we're doing in terms of analysis, et cetera.

MS. LEONOVA: When you say industry is working together on this issue, do you have any exact examples of this working together?

MR. ATKIN: I was the founder of MDDL. MDDL was what Jim referred to that FIX was working with. We're now doing a proof of concept with ISDA on OTC contracts to make sure that we can define their contract semantically and deliver it via FPML schemas. So when I say working together, all of these standards participants are all working together and are participating in the same conversations.

MR. NORTHEY: I can also -- unfortunately, probably the leading advocate of this approach isn't here because of train problems, so I'm going to put on another hat and I'm going to be a proxy for the ISO TC-68 chair, who works tirelessly to try to integrate and get everybody working in the same direction, and that's Karla McKenna from Citibank.

And we, based on some feedback from some very, very high-level bank executives a few years

back, created something called the Investment Roadmap. And the Investment Roadmap is a artifact from an organization that we've demanded not be an organization. There's something called the Standards Coordinating Group. Right now the FIX organization provides the dial-in facility for that and a web page for it, but we purposely did not make an organization of it.

And here's what the Standards Coordinating Group came together to do. The fact was there was all these competing technologies and standards, so when you're looking at running a bank, a trading company, or if you're a regulator and you're trying to understand, what should I use (inaudible)? And the term "investment" means where do I spend my money to promote standards and how do we work so we don't create duplicate processes and activities? How can we share information towards working over the long-term to converge?

And so the Investment Roadmap is a public document available off of the FIX or the

ISO 20-022 website and it's a combination of groups such as XBRL, FPML, Swift -- if I miss somebody, please let me know -- FISD -- what's that?

SPEAKER: EDM Council.

MR. NORTHEY: Yeah, not yet. Are you there yet? So, and what we'd like -- to pull the EDM Council into this at some point as well. And our goal is -- we've defined the entire process of trading from pre-trade all the way through settlement and reporting. And we said, look, here's the grid. Here's what you use in this area, here's what you do. But there's one overarching place where we're all over time trying to work towards and that's the ISO 20-022 repository and model. That's where we want all of that to evolve into. And that's our point of coordination for things such as code list, attributes, and that type of thing.

And that's where you'll find the current industry practice for classification of financial instruments, but that's also the organization

where you'll find some work where XBRL starts out where you have to do a filing to do a corporate action, all right? So you take the tags from XBRL, you communicate that through ISO 20-022 Swift messages, you know, working with DTCC into the process. And the goal there is to avoid transcription services.

What's missing from that is -- and what the next logical step in that is -- is not that we have a robust model for financial instruments and the overall business processes, we need to bring in the semantics layer, and that work is starting now. But this was also to talk about identifiers, this question. I want to bring us back to identifiers and talk a little bit about identifiers themselves.

When we read the ISDA FPML proposed paper -- and, again, we represent the consumers of this information. Part of the reason we're involved in X9D is there were some things we were not happy with in terms of how, as consumers of identifiers, the whole industry was structured

around -- and using or misusing or disabusing standards. So when we look at identifiers themselves, the only comment we'd like to make to the ISDA paper is we know definitively that if you want to start working today and you want to capture information that's going to address risk or to get an understanding of what's going on, you have to start with ISDA FPML, their dictionary, their master agreements, to understand it.

But when you start to talk about identifying instruments, we prefer that we have an open standard based on some kind of international standard, all right?

MR. ATKIN: Gee, Jim, would you agree that you --

MR. NORTHEY: With that said, there's a number of issues with standards in general, right? I mean, so I'd like to point some of those out. And I'd also like to talk about -- because of the question that you said is, what's out there today that you should know about?

Well, there's the ISO 10-962 standard,

called classification of financial instruments, all right? And I want to state -- talking now specifically about the FIX protocol organization and our consumers we represent -- we consider it to be, you know, a very inferior standard and we don't see that that standard, as it exists, is something that we can build upon to address OTC derivatives. With that said, the ISO TC-68 organization has a thing called the Independent Study Group on identifiers, SG1. We were the group that responded very quickly to the legal entity identifier request and we've had just incredible adoption.

We now have people from P countries globally and, you know, the advantage of an international standard is we're talking -- you know, I can go into a room now and I can talk to Japan, Korea, China, Brazil, right?

MS. LEONOVA: Yes, and we are going to have Karla on the second panel, so I'm sure she will be happy to expand on that, but I want to give Karel some airtime.

MR. NORTHEY: Yes, okay. Okay, she'll talk more. Right, right. Okay, yeah. Okay.

MS. LEONOVA: And I also would like to follow up on their group of concepts that Michael mentioned before.

MR. ENGELEN: Sure, I'll address it so that -- the question was on semantic layering and what we're doing to work there together.

I mean, generally speaking, the position that we have is that, definitely it's very interesting technology and interesting stuff to look at and we think it's definitely very good that EDM Council is taking a leading role there. On the one hand, as Mike mentioned, there's proof of concept that we're looking at, say, for some of the OTC derivative contracts, how it could look like, for us to better understand and to evaluate what's the semantic proposals we could bring us.

Jim mentioned the work that's ongoing in ISO. There's a Working Group 5 that will be formed -- or that has been formed that will look at it as well, so we'll have some engagement in

that as well. But generally speaking, we see this as technology with promise, but more for the long-term. What we see is there is a lot of new regulation coming out. There's a tremendous amount of work for the industry and what we want to do is kind of come out with ways in which we address all the requirements and use what we have already. So, again, we're happy to engage to a certain degree in semantic repositories and see what the value could be in the long term, but we have to keep in mind a lot of the stuff that the industry has to build in the short term and how can we best leverage existing standards, existing infrastructure there.

MS. LEONOVA: What do you find to be the short- term constraints between semantics implementation into the FPML definitions?

MR. ENGELEN: I don't know if there are specific short-term constraints. I mean, we have to see how the proof of concept works out and we'll learn from that and see how quickly things can be done. We did learn, though, for example,

from the FPML experience that generally it just takes a lot of time to get people to agree on descriptions of instruments, et cetera, et cetera. So standards move forward, but it just takes time to kind of cover it all.

MR. NORTHEY: Can I give our concerns? Our concerns really are the maturity of the tools and products and the maturity of the industry practitioners to be able to understand the (inaudible).

Now, believe me, this in no way am I recommending that we don't pursue this and we don't use this little window of time where we can actually encourage the industry to start identifying their terms and creating that semantic layer. I think that's very important, but what we see right now -- as of today -- are we trying to solve some problems in near term to the risks that still sit out there, from my perspective, that haven't changed that much since 2008 and try to get it? Or are we looking for a longer term solution? And right now, the maturity of the

tools, the maturity of people who are practitioners that know how to be what we call a working ontologist is just not there.

And I think that we have to keep it in perspective while Mike and his group do their important work and build up that layer and while the ISO organization does it from a global perspective, you know, pulling in the ECB and other organizations. But we don't let that get in the way of what we need to do right now to address quite a bit of what's in the --

MS. LEONOVA: What do we need to do right now?

MR. NORTHEY: Well, I think, largely if you -- there's talking from a definition of OTC derivatives, the definitive reference from my perspective, and what we've said as a policy of the FIX organization, it's the ISDA- FPML combination of master agreements, the FPML document structure, and the FISD dictionary terms. They're well thought out. Everyone agrees upon them, everybody knows how to use them. We know

how to communicate them. They're already in the infrastructure. But all of that work that is the FPML needs to do is move from a silo, where it is now, into the ISO 20-022 model. We need to bring in this important semantic layer at the same time.

MS. LEONOVA: Okay. Karel, what is your opinion about this goal?

MR. ENGELEN: Well, there's a lot that we need to do now or that we have to work on, but I think one of the areas of focus is the requirements around both real-time reporting and regulatory reporting. So, as an industry, how can we kind of make that reporting possible and what's the best way to do that?

The way we look at it is basically, we see the OTC derivatives industry, broadly speaking, divided up in three buckets. There is the more standardized products for which we propose to have these unique product identifiers that allow you to position a lot of the trade information as reference data because the products are standardized. And so you would use that with

reporting and that would, obviously, be very useful in public reporting.

The second bucket would be products that are standardized, but are not necessarily not very frequently traded. You might not develop unique product identifiers for them. And for those products you would have the full FPML representation, like you have it today, like it's used in the confirmations that go through DTCC or to a market wire for credit or trade rates.

The third bucket would be the very customized, the very (inaudible) products for which we think there's not necessarily an electronic representation. These trades might be one-off trades that really are done on paper. What we propose is to use a constrict which we call the generic products that allows you to give the main characteristics of the trade, such as notional, buyer/seller maturity dates, and a couple of other identifying elements. Again, it allows the regulators to get an understanding of the trades, to get a view of what the trade

represents. But full details, ultimately, you would have to go back to the confirmation.

Now, working all this out for all the OTC derivatives, it's just a tremendous undertaking and that's one of the focus areas for us.

MS. LEONOVA: I thank you for bringing us back to dividing swaps and standardized and not standardized. We have read with a great interest the paper on a description of standardized OTC derivatives, but do we have any game plan for addressing category 2 and category 3 of non-liquid products and (inaudible) products at all? And if we have a game plan, what is the timeline for ISDA to address it, or any other organizations who are concerned?

MR. ENGELEN: Well, the game plan for reporting purposes is indeed to have the generic product for the very bespoke ones and for the less liquid, but still standardized products to have the full FPML representation, and that is available already. There might be certain

products where we have to expand FPML, but that's an ongoing exercise. So we have ongoing working groups that keep on expanding the standard.

As far as the representation for the standardized products, the way we're tackling that -- and that goes back to the unique product identifier -- the way we're tackling that is that the current focus is on the developing the taxonomy and looking at different taxonomies that we have -- the FPML one, the work that the reporting working group has been doing, and work that has happened in previous ISDA operations working groups -- and basically refine that, have a dialogue with the regulators to make sure that the taxonomy that we come up with is one that kind of covers your needs from the point of view querying trades, et cetera. We think we can do that in the short-term, meaning by the end of this month for certain asset classes, such as rates and credit, we should make a lot of progress.

From there we plan to build the work on the unique product identifiers, so further

refining of taxonomy and ultimately define these product identifiers. We are working on an implementation plan -- again, for the end of this month -- that will give more views on dates, et cetera, but we do not have them.

MR. ATKIN: I think that you identify, describe, and classify derivatives, bespoke customized contracts based on their attributes. That really defines what the instrument is. And in order to do that, you then have a semantic structure that defines those things, you convert that to a technical model. The next panel you'll hear about our relationship with the Object Management Group to do that, and you communicate it via an existing protocol, like FPML. So I think that those things are ready to go now. We can then define the contracts that are not covered by standard FPML protocols at the moment and feed them right into the process. I think that those are complementary activities.

MR. NORTHEY: But, you know, one of the things I want to come back to again is that --

wearing more of the U.S. hat -- is, you know, the issue of what the identifiers are and who assigns them and (inaudible) is not something that should be overlooked. And I think that there needs to be more analysis done by the CFTC on what's the appropriate identifier mechanism and what's working in the industry now? Because identifiers are largely governed by other standards outside of what we're talking about here in this model approach.

So I would just encourage you to gain some understanding of current issues along identifiers and also to -- and I think that we've started a classification subgroup within X9D in the U.S. to feed and drive the -- two things: The ISO working group responsible for the 10-962, which is a classification of financial instruments, and the study group to try to address and improve this thing.

In a large degree, you know, I think the financial industry does not hold up to other industries in terms of their management and

governance over identifiers. You have IPR issues that continue to plague adoption. You have cost issues that are imposed. And I think that these are things that the CFTC has to understand. And then, also, if you take a silo and create a new identifier stream independently, then you potentially start to preclude integration and cross-asset management across the picture.

An OTC derivative doesn't work in a (inaudible). Often the underlyings are tied to listed derivatives or other (inaudible). And those things are important, so you've got to look at the (inaudible).

MS. LEONOVA: Thank you, Jim, for bringing us here. So can we talk about interaction between XBRL and FPML and what is the linkage? Is there a technical organization right now?

MR. COHEN: So I think that separation between syntax and semantics is a very important one. As long as we can do some manner of the lossless transformation of the semantics between

our different syntaxes, I think wonderful things can happen.

The XBRL's pace tends to be the movement of information within an ERP business environment in preparation for external reporting. If the things that make XBRL unique -- the ability to associate human readable labels and definitions with each of the concepts; the interrelationships of the concepts, which many people can do, but the particular XBRL tools that are designed in the reporting world; the association with authoritative and practical reference and guidance; the calculations, formulas, rules versioning, and the things that are necessary in that environment -- may mean that XBRL is an important part for some aspect of this. Then, if we have that agreement on the semantics -- that same information can be expressed in different ways, whether it's at the detailed level with XBRL's internal transactional tool, called XBRL's Global Ledger, or whether we're drilling down to a more transactional --

MS. LEONOVA: Do you have this agreement on the semantics or are you trying to reach agreement on the semantics while we are standing here?

MR. ENGELEN: I think it's a very good question. We haven't really looked at it, mainly because we think we're addressing two very different things. XBRL is addressing financial reporting. We are really looking, and have been very focused on the post-trade business processing and everything linked to that, so how do you kind of communicate this trade information?

Probably it is something to look at and see to what extent there is an overlap with some of the XBRL work, but again the focus is very different. It's financial statements, on the one hand, where as we are looking at real-time, regulatory reporting, more from a risk perspective and a kind of trade position perspective.

MR. ATKIN: Well, they work together. So the XBRL is really an accounting taxonomy, so anything you want to do to make sure that you can

understand how to deal with it from accounting perspective, you would use XBRL. When you're talking about describing the instruments, you'd be able to describe so using our repository, which would be the semantics. And when you want to communicate information of the transaction, you would do so via FPML. So they are complimentary. And, in fact, that's what we are doing with our proof of concept.

MR. COHEN: If I might provide just the slightly different viewpoint, is that XBRL is not limited to financial reporting. It is the lead to end aggregated reporting of all kinds and a seamless audit trail from the transaction space to that.

I fully agree that if what you're dealing with is real-time reporting of purpose-specific transactions, that is going to be before the XBRL space. But if you are then going to be bringing those transactions together with transactions of other kinds -- whether it's leading to financial reporting, statistical

reporting, statutory reporting, tax reporting, sustainability reporting, any kind of a business reporting -- if you're dealing with summarized aggregated information that you need to have a solid audit trail back to the transactions, that that's the space of XBRL. But I absolutely agree that if you're dealing with purpose-specific transactional reporting in real time, that is the pre-XBRL space.

MS. LEONOVA: I would like to open the floor to questions to our panelists, if anybody has any. I think Anne has a question.

MS. SCHUBERT: Well, a question that I had been -- Irina and I had been considering, and other employees of the agency as well, is whether the product ID can possibly be composed of different sections and each section may represent a different level of granularity?

For example, the first section may represent the highest level of granularity, which would probably be asset class. And then subsequent sections would represent higher levels

of specificity, and so then a regulator would be able to use whatever section or sections it wanted to for it's own purposes of aggregation. And we just wanted your feedback on the feasibility of that?

MR. ENGELEN: Sure, I'm happy to address that. So, when we developed whitepapers we were looking at getting feedback from people that have been looking at these kinds of identifiers and different other kinds of asset classes, and the general feedback was that ultimately you were with a so-called unintelligent identifier for what you're doing.

And you can use aliases if you want to make it more descriptive. If you build the structure that you're looking at into your identifier, you basically bring your taxonomy into your identifier, you risk running into limitations, certainly in an area such as OTC derivatives, which is still evolving. New products might be developed. There might be things you're not thinking of.

So the preference from a technical perspective was very much to have an unintelligent identifier to the extent you need to give it meaning. Unintelligent, but unique identifier to the extent you need to give it meaning, you use an alias for that.

I think what you're looking at is exactly what we're addressing on the level of the taxonomy. So, you would have a taxonomy that would give you the different asset classes. With codes for the asset classes, you would go to the product level, sub-product level, et cetera. And the two would be linked, definitely. So if you look at identifiers, you would also be able to place them within the taxonomy, but that doesn't mean you have to build your taxonomy into your identifier.

It is a question, though, that comes up a lot and it doesn't mean that because it's a technical preference to have an unintelligent identifier, that ultimately we won't end up with something else.

MR. ATKIN: We 100 percent agree with unintelligent identifiers, that you -- but if you're going to have an unintelligent identifier, it has to be linked to some description. You get to be able to find what that instrument is based on its characteristics. So define what it is. Use what want. So that's the ideal way of looking at identification.

So the creator -- the person who originates a derivative submits it to a repository, describing its characteristics based on its attributes. Gives it a dumb number and then, all of a sudden, you can then link the identification of the instrument back to its attributes, and that allows you to identify it uniquely and also to classify it in any way you like. So you can then classify it by its characteristics. You can classify it by its business relationships. You could classify it by its transactions, you know, holdings. And that would be the ideal way of approaching it.

MS. LEONOVA: It will be a nice

discussion for upcoming proof of concept that Karel and Michael work on. Do you want to give us some details about what we should expect and what is ultimate goal, and how long you've been working on it?

MR. ATKIN: So the goal is to deliver to the regulators and market authorities an example of what we're talking about because it's a lot easier to look at it in reality than to talk about it theoretically. So we are taking interest rate swaps based on ISDA examples and linked back to the ISDA master agreement. We are aligning that agreement with our semantics repositories, so we can have a consistency of the language used to describe it.

We are pulling real instance data that we're getting from various vendors, so you can run various analytics on it. So, after that, you will be able to construct the derivative based on its attributes, to describe it and classify it. You can then show the participants that are involved and their hierarchical relationship, ownership

role, et cetera.

You can then link it to its underlying index for any reset risk that you might be doing and then you can analyze it based on spread or any other characteristic. So what we think we'll be able to do is show the relationship between the XML schema, which is in FPML, the ontology or semantics, which is in our repository, and how those things will work together.

MS. LEONOVA: Karel, is that consistent with your perception?

MR. ENGELEN: It is consistent, somewhat, with my perception. I think concern that we have expressed is around the timeline, to be able to do this in a very short period of time. I would add as well that when we had a conversation, Mike put his job on the line. He said he would leave the EDM Council if he was not able to do that. So we'll see where we are at the end of the month.

MR. ATKIN: I have a footnote for the record, Karel. I appreciate that.

MR. TAYLOR: I have a follow-up for -- it's really for all of you and it grows right out of the last -- but out of some earlier things, too, and it's all about timelines.

You all keep talking about short term versus long term and, you know, how long it may take to do various steps. You know, I think I hear a general agreement: Everyone thinks an ultimate goal of all of these dreams converging would be good. The question is the time it would take. Can you all quantify some of those times? What do you mean by "short term?" What do you mean by "long term?" When can you do what?

MS. LEONOVA: And I want to separate it. How much time is needed for technical agreement and how much time is needed for political agreement?

MR. ATKIN: Well, I would ignore politics for the moment. Our semantics definition is complete and has been verified by the industry, so we think we have a definition ready to go. We have been working with the Object Management Group

-- OMG -- for the last few months to make sure that our work can be converted to their technical standard. That's a process that's currently underway and we expect it to be done shortly, I'm going to say within months. And, Richard, you'll explain the timeline there.

So I think that in immediate run -- probably within, let's say, within a year -- you'll be able to define it semantically, communicate it via RDFL, based on ISDA master agreements.

MS. LEONOVA: Karel, you look concerned about this timeframe.

MR. ENGELEN: No, I think if you talk about timeframes, I mean, it's lucky he can put timeframes on things and you can talk about short term or long term. To give an example, if you -- the work I was describing earlier on taxonomy, then I can say by the end of this month we'll have something developed for rates and credit which I think we'll be happy to share. Is that going to be the ultimate taxonomy? It's not going to

change anymore? Almost certainly not, so there's going to be ongoing work, ongoing maintenance.

If, on the other hand, you talk about what Jim talked about before -- the long-term direction that we have to basically work on with the ISO 20-022 umbrella -- I can certainly say that's not going to be finished next year. Not even the year afterwards. That really is a long-term effort and we're already working on this for several years.

If you talk about UPI, I think we could give you a technical framework to develop that, but the bigger question is -- and that's where most of the work is -- what is the amount of effort? And this goes more towards your political question, if you want to ask it or put it that way: What is the amount of effort that we need to do to really bring the whole industry -- all players in this industry at the same level? And just takes time. How much time? I honestly don't know.

MR. NORTHEY: Can I make a comment real

quick? I don't want to undermine Mike's enthusiasm and optimism, but those familiar with the work don't really feel that the model's complete and it's ready to go. And it's been vetted widely by key practitioners, even some of the people who help facilitate starting up that initiative. Going back a step, when we looked at revising ISO 20-022, we really knew that practitioners were not ready to adopt the concepts of ontologies and yet we still needed to move forward, so we helped facilitate taking our lead people and they're working with EDM Council right now, but I would definitely say I heard -- when I was asked to be on the panel, you said, what is available today? What's out there? What should be considered?

I went out and talked to key practitioners who have been involved and don't have vested interests, but they work at banks and technology spaces, and they don't believe that the current model as it exists is complete or ready to go. And then there's also the -- we've got to

have technology diffusion rates out to the organizations.

So what is ready to go right now, our view is that from the messaging delivery mechanism there, I think -- don't underestimate the difficulty of getting an identifier which can be readily integrated into business processes. The identifier problem is much greater in the financial services industry because of IPR than it is in any other industry. And there are some technologies we should look at, such as the distributed object identifier. We have things where you have to be able to distribute and guarantee uniqueness.

And, by the way, you know, we fancy ourselves as financial technologies and we think we've got the biggest problems and toughest problems, but you know what? If you look at this compared to telecommunications and other industries, most of these are solved problems.

You know, I think only one time in the history of Ethernet has a manufacturer ever

generated duplicate Ethernet addresses, you know, and it was a big controversy. And so I think that you don't underestimate and don't obscure, you know, the attraction of a new emerging technology with the real work of what is the identifier going to be? Who is going to manage it? Who is going to own it? And how does it integrate with all other identifiers? Because I saw in the ISDA proposal that a CUSIP is going to be used for underlying instrument.

Well, you know, a CUSIP is encumbered with IPR and licensing issues. And by the way, it's not widely adopted outside -- you know, it's really looked upon negatively outside the U.S. space, where the ICE is used and adopted. So, you know, it's unfortunate that you're going to have to really look at almost the identifier more than the model. I think you have a basis for the model now, and we certainly want to promote and support what Mike's been doing -- and we helped start it -- but let's look at what we're trying to do now as opposed to over the long term.

MS. LEONOVA: Okay, Eric? You have the right of the last word.

MR. COHEN: The CEO of XBRL U.S., a gentleman named Campbell Pryde -- and in his former life was at Morgan Stanley and he was dealing with this exact problem -- he, at the time, was using some of the technologies you've heard mentioned today. He tried to use things with names like OWL and RDF to be able to create all the different attributes that are necessary. In that rare moment of agreement amongst this group, believing that the identifier itself should just be (inaudible), it should just be a serial number that links into that system of identification.

And whether it's using LRDF, whether it's using XBRL with the various tools that it provides to be able to create these interoperable definitions and descriptions and the formulas that help you identify what piece of this has gone in the hole, sort of like bills of material or engineering pieces. There are many different

approaches and a lossless transformation amongst us would be great.

Neither XBRL International nor XBRL U.S. want to be the owners of these pieces. It is the stakeholders involved -- folks like the FASB, the people developing the taxonomies, or individual members such as myself -- that have the honor of working with the esteemed gentlemen at this table to try and bring these solutions to the market.

In approximately one year and three months, every U.S. GAAP filer in the United States is going to be providing detailed swap information to the SEC. This unique identifier, this descriptor is so necessary for the market to be able to really benefit from being able to analyze, to aggregate the information and work with it. So many of us absolutely realize the importance here and want to support it. But in terms of answering your question when, we're not part of the -- that we're going to deliver that to you: We're just one collaborative member sitting at the table saying we'd like to work with other market

collaborative folks to make this happen.

MS. LEONOVA: Okay, let me thank Michael, Karel, Jim and Eric for finding time to join us. We are taking a break until 3:15, right? No, 2:15. And we are going to talk about coordination. I'm on all those efforts that we just talked about.

Thank you again very much.

(Recess)

MS. LEONOVA: Let's start our second panel.

MR. KIRILENKO: Hello, my name is Andrei Kirilenko. I'm the chief economist of the CFTC. I would like to offer some brief introductory remarks and open this panel.

I -- we're very thankful to the panelists to be here to talk about coordination among various industry product classification and identification work streams for the purpose of achieving a universal method to describe and classify swaps. Thank you for contributing to the public service, for taking your time to talk to us

about this.

I'd like to also take a minute to remind people that a few weeks ago we came up with a request for nomination for the sub-committee on data standardization of the Technology Advisory Committee of the CFTC. We plan to announce the composition of the sub-committee by the end of the week.

The purpose of this sub-committee would be something along the lines of what your panel will probably go into discuss, which is to try to create a public-private partnership to work on a number of issues, including product ID, entity ID, storage and retrieval of data, machine readable formats of legal documents. So, please look for that announcement.

Some of you who are on the panel or in the audience have submitted nominations. This will be sort of follow-up and a standing body to work on these issues, outside of the panel and outside of the Dodd-Frank rulemaking.

With that, I'd like to please open it to

the panelists. And --

MS. LEONOVA: And first of all, let's get introduced. So, Matt. You want to start?

MR. SIMPSON: Yeah, hello. I'm Matt Simpson with CME.

MS. MCKENNA: Hi, Karla McKenna, representing ISO, the International Organization for Standardization. Specifically, Technical Committee 68 for Financial Services.

MR. DEMARIA: Frank Demaria, representing the ISDA Data Working Group.

MR. GREEN: I'm Bob Green, I'm with DTCC.

MR. SOLEY: And I'm Richard Soley with the Object Management Group.

MS. LEONOVA: Okay. We are following up from the first panel, now more or less we know what is out there. And the purpose of the second panel is to figure out how we can coordinate all these efforts in order to achieve some type of universal method to describe and classify swap products by the standardized or non-standardized.

And the question number one, as it was distributed in the agenda. What is the current status of interstate coordination in developing standardized swap data classification and identification?

Don't rush all together, please.

MR. SOLEY: I'm always happy to say something. First of all, I'm going to take issue with the phrase you just used, universal method. And that leads me to believe that we're talking about replacing everything that has come before, trillions of dollars in IT infrastructure spent by all of the players in the room with some grand new scheme. And that is unlikely to help and, in fact, will never happen.

So that's why we, along with EDM council and many others, are focused on a solution which we have shared semantics with different syntaxes. It's to avoid what I called the N plus 1 problem, and that is, you try to replace N different standards with 1 new one, and in fact you go from N different standards to N plus 1 standards. You

only make the problem slightly worse, but you make it worse, not better.

OMG has worked in standards areas for about 22 years, and many of the standards you heard about in the last panel for representing semantics -- things like SPDR and for representing models of business processes like UML and BPMN are standards, and underlie some of the things like ISO 20-0-22 standard that you also heard about.

And in every case, what we've done is not replace what came before but share semantics with multiple syntaxes so that you have some hope of getting systems to inter- operate and not attempt to replace those systems that came before. We do that as public-private partnerships in about 25 different vertical markets. And many of the problems that you see in the financial services industry are found in many, many, many other markets.

There was a comment on the previous panel that identification is tougher in financial services than in other markets. Let me just say,

whoever said that has never worked in healthcare. Identification in the healthcare industry is so difficult that it's amusing.

I'll let other panelists get in there.

MS. MCKENNA: So, I heard ISO 20-0-22, Richard, so I'm going to go next.

I think that over the last several years that there has been a very, very constant and increased commitment among standards organizations and those interested in the development and use of standards to work together. We've formed a number of alliances in order to be able to share information and to figure out how to make standards interoperate and to collaborate.

Standards are not all out there for the same purpose. There are different types of standards. And when they all come together, they need to be fit together in a solution. ISO standards are across these types of solutions, are usually the content standards within the solutions that we're talking about. So, we have active relationships with FPL. You heard from the

previous panel, FPML, XBRL. We are talking with the EDM Council because we have an active project in order to add a semantic layer to the ISO 20-0-22 standard, and in the area of reference data where the EDM Council has done the most work in the semantic area. At this particular point in time, we're looking for their active participation.

And also, if you take a look at the work that the EDM Council and OMG that Richard just talked about, you see ISO standards as part of the content as well. ISO 20-0-22 is a very, very good model-based standard under which all of these efforts can come together. And it was actually built that way in order to be able to allow different standards to be able to collaborate under one umbrella.

MR. DEMARIA: I'll go next, maybe put a little different perspective on things. I represent credit sweeps on the ISDA Data Working Group, which are really practitioners in users of this technology and standards.

And to prove that I am a layperson, I will try to complete my remarks today without using any acronyms whatsoever.

What is very important to us in the forming of the ISDA Data Working Group is the understanding that as we move into this new marketplace where OTC products are traded on various platforms -- electronic platforms and potentially still on voice -- and cleared at multiple DCOs, where you have dealers acting as executing broker and clearing broker with market participants. I did say DCO, didn't I?

SPEAKER: And ISDA.

MR. DEMARIA: All right. Well, maybe I'm not the layperson.

MR. TAYLOR: You said OTC, too.

MR. DEMARIA: Maybe I'm not the layperson I thought I was. It is very critically important that we are speaking the same language, and that there is no ambiguity in the product that you traded, the counterparty that you have transacted with. And that those transactions can

flow seamlessly through your infrastructure in a very cost- effective manner.

We think there is great hope of leveraging the work that we've done over the last number of years as we've taken a paper-based market and made it much more electronic, bringing great benefits to the marketplace. We've put types of repositories in place for different asset classes, and we want to continue that forward. And we think all these various groups are critical to work together to get to that goal.

MR. GREEN: Maybe I'll go next. As one of the companies that have put together repositories, we're also encouraged that these standard bodies are working together. We're also users, obviously, of the data as opposed to necessarily those that create it.

One of the things that we're hoping and encouraged that will occur is that in order to meet the commission's goals on understanding systematic risk, as well as other goals in terms of a reporting to the public, that we're -- that

this creation of a universal product identifiers is quite key on that. And it's an operational -- as was mentioned in the previous panel, it's definitely an operational challenge to see that used uniformly. And so therefore, it's something that has to be well- considered.

But we'd also like to say that it seems like the FPML representation is, indeed, been very, very widely used across the product set from across the asset classes from the perspective of defining the contracts themselves. So, while there needs to be a taxonomy necessary to define what it is that these UPIs are saying, and a clearer universal product identifier, it certainly is -- we're encouraged a lot by the ISDA effort and the white paper there in terms of using FPML for that.

MR. SIMPSON: Yeah. CME is also, you know, an on-the-ground user of standards. I don't think we're so concerned about ensuring that the standards are interoperable, although that would be nice if they were. You know, we're looking

more just the baseline need to start using UPIs and what that means to our services that we're providing as a DCO.

You know, we really want to get groups together to the extent, you know both other service providers as well as standards providers. And make sure they agree on what the common business key is for defining these different types of instruments.

You know, we have already -- we've been working with ISDA. We were involved with the white paper effort. We're on -- you know, we're on board with that, we'd like to see that continue moving forward. But you know, we realize there's going to be practical difficulties around, you know, much less achieving interoperability with standards. Just agreeing on how a universal product identifier is assigned, what it's comprised of, and how it's going to be generated at the point of transaction.

But we've -- you know, we've been doing this kind of thing a long time. We assign over --

you know, we currently track over a million product identifiers in our own systems for listed derivatives. And you know, we took on -- initially took on a scheme to start assigning unique product identifiers -- obviously not universal in nature -- for some of the new services that we were offering as well.

And what we saw initially is they mesh fairly well with what we've been exposed to so far in terms of what's being proposed by standards bodies and the CFTC initially.

MS. LEONOVA: Going back to ISDA white paper about the universal utility that is going to do assignment of UPIs at a certain level of taxonomy, what is end user's feedback on this idea? And how do you envision the corporate structure for this organization?

MR. DEMARIA: So, in the white paper I believe we call that the Data Product Registry. We've spent some -- had some discussions about how that would operate, what type of model might be most appropriate. I think as you see in the white

paper, it is critically important that the output of that -- the product identifiers themselves -- be readily available and publicly available. Which, you know, we've had a number of debates about what the right kind of structure would be.

I think it would be some combination of basic services that would be provided and open to all market participants -- clearly product indicators -- and there are various examples that you could point to are much more effective where they are readily available to all market participants.

And then at least my personal view is there would likely be some value-add service that would tend to be more profit-driven that would be complimentary to that. And there are a number of examples in the cash markets over the years that have developed along those paths.

MS. LEONOVA: Karla, do you have any reaction on that?

MS. MCKENNA: I think that we can bring this all together. I think that David and you and

I have talked before about my first reaction when I saw the ISDA paper was that it looks very much like 20-0-22 schema. And it's all coming together underneath one framework. And I see that that is the direction in which we can be headed in order to be able to support the needs of being able to have machine readability in the products themselves and in the identifiers.

MR. TAYLOR: Let me ask a follow up question to all of you. I would have asked this to the first panel if we hadn't run out of time. And I'll be honest, I thought I sensed from the first panel a little hesitancy about the possibility of all of these different work streams coming together. But here at least, you know, the topic is, can we do that?

So, I'd like to ask you a hypothetical. Assume for a minute that the Commission -- and I reiterate what Rick said earlier. This is just one staff member talking to you. It's not the Commission. But assume for a minute that the Commission would really like you all to come

together. It would like to not have to pick winners and losers.

Assume for a minute that regulatory reporting might need to start either in January of next year or July of next year. What can actually be done by those times? What coming together can happen? What can't happen, and how much more time would it need? And does that vary by asset class? By, you know, business process? By whatever you want to vary it by?

MR. SOLEY: I'll take a first crack at that. Because since somebody said something about wanting to get groups to work together. And I think you're hearing that all of these groups do work together. And I think the negative part of that you're hearing is that it tends to be bilaterals rather than large groups working together, David. So, I understand the question that way.

I mean, examples that OMG is involved in are proof of concept work delivered two years ago with Swift, and with FIX on message translation.

And the one that Mike Atkin was talking about on the previous panel, proof of concept.

That particular one focusing on just a single asset class, interest rate swaps, is going to be delivered at the end of this month. So, will you be able to see proof of concept? Proof that the technology works by the end of the year? Absolutely. Will there be products that have been on the market and tested for five years by the end of the year? I think that reminds me of the Novel advertisement in 1995 looking for Java programmers with five years experience.

MR. GREEN: I'll just add one thing to that, or a couple things. One is that you ask about product classes and are they asset classes? And clearly there's a difference there between the asset classes. The credit asset class has, over the course of time, through the standardization of the actual going from very bespoke to a matrix to, now, standard North American corporates, which really define an awful lot of things associated with the trade.

Over the course of time, the definition of the contracts have, in that marketplace, made it so it's a narrower set of things that define the product. That varies, and based on the asset classes. Certainly there's much more commonality in some asset classes than there is in others -- in other asset classes. And segments of those asset classes, they're very unique and they get -- tend toward more bespoke. And it really gets down to one of the questions that was raised in the first panel or one of the points that was raised in the first panel. The further you get toward a bespoke product where each contract is unique, the less value, perhaps, there is in a product identifier because it's really talking about -- at a really bespoke level, a single contract.

So I think that, you know, focusing in on that which is more easily identifiable is a practical way that we might go. That's easier to implement, I think, than it would be to try to do all things for all asset classes all at once.

MS. LEONOVA: While we're talking all

the derivatives and different asset classes as one problem. But is there any industry process of trying to link OTC derivatives with cash market standards?

If yes, what is the status? What are the objectives? And where we are in terms of our feasibility here?

MR. DEMARIA: I'll take a first shot at answering that question. Historically, to the extent that we have OTC products that reference cash markets and cash products, equity derivatives using RIC codes to identify underlyings or, for example, credit derivatives utilizing reference entity identifiers and reference obligation identifiers. We've tried to leverage indicators and identifiers already used in the cash markets foreign exchange using the ISO standards, as opposed to creating, you know, OTC-centric identifiers. So I think that work or efforts there have been ongoing for a while.

I don't personally know about any cases where that, to my knowledge, where the OTC markets

have deviated from that cash marketplace to the extent that those cash instruments are referenced.

MS. MCKENNA: I haven't seen any specific additional requirements coming out of this market past what Frank is speaking of.

MS. LEONOVA: Going back to that, is the white paper and -- I'm sorry to come back to this paper, but it's the only thing we have right now tangible. CME, ICE, DTCC are going to be the ultimate users of those UPIs that are going to be generated by that utility. How do you envision your access and participation in a structure like that? And what would you like to see if that actually is going to materialize?

MR. SIMPSON: You know, whatever we see we want it to be simple and straightforward. We don't want it to be over-engineered. You know, we don't want there to be obstacles strewn in the path of competition, innovation, time to market.

You know, I would say that's probably the most important thing to CME, while at the same time recognizing the fact that, you know, there

needs to be a common way to identify like OTC instruments.

You know, we do things now with standards. We use FPML inside of FIXML. We use FPML, a new set of FPML messages that were developed for clearing, also being used by other clearing service providers now in the industry. We use FIX and FIXML for our CDS services.

You know, and we've been able to make it work. And we think we'd be able -- as long as the way the UPI is implemented is not onerous and difficult, we think we'd be able to integrate it in a fairly straightforward way. But, you know, that is one of the things we're concerned about.

Just for a moment, going back to, you know, the correlation of the standards. You know, it seems to me that the first thing that would need to happen is, you need to know that a standard can support a certain type of financial instrument before -- I think before it is even a candidate for being a UPI -- for carrying a UPI. So, you know, that's the first criteria, you know.

And I don't know if that's going to make it easier or not to cut down and focus on which are, you know, really the prime candidates for this. But, you know, that's kind of how we look at it.

If you can't describe the financial instrument in a given vocabulary, then it's probably not the best vehicle to carry that UPI. Just some practical views. But, you know, we have been able to use several standards to describe, you know, different types of -- take a CDS instrument, for example. We've been able to describe that in several different standard vocabularies. Other types, we can't.

MR. SOLEY: I think that's a really important point. That several standards -- it's always true that there are several standards that can be used to represent information. And that means that those several standards are likely to coexist. And what we should be focusing on is ensuring that they do coexist. So that's the kind of work -- like the multiple syntax work in ISO 20-0-22, MDMI work at OMG, and what we're just

hearing about from CME is critically important. The recognition that if we're going to ensure that standards create our stable baseline for innovation, that we can represent the same information in multiple syntaxes.

MR. NICHOLS: I'd like to ask just a really quick question. If you can expand, tell me what specifically what you mean by onerous and difficult.

MR. SIMPSON: Yeah. A synchronous integration in order to -- you know, at the point of transaction or shortly afterwards in order to assign a UPI. You know, we favor something -- we favor an approach for a UPI assignment that is decoupled and asynchronous. Not heavy in terms of taking a technical architecture infrastructure and integrating it into a registry. You know, we are proponents of an approach where a standard algorithm can take a business key and turn it into a synthetic identifier independent of having to go to a registry to do that.

MR. NICHOLS: Okay. And then how does

that get shared out?

MR. SIMPSON: How does the UPI? Well, the details need to be worked out. But, you know, there would be a periodic synchronization back to the registry, something like that.

MR. NICHOLS: Okay.

MR. SIMPSON: But if really this algorithm is standard and works in exactly the same manner, as long as the same business key is fed into it it shouldn't matter whether you synchronize with the registry, you know, once a day or once a week.

MR. NICHOLS: Okay. So your concerns about difficulty and cost are based on where in the business process?

You have to put in the identifier. And how --

MR. SIMPSON: Right --

MR. NICHOLS: -- complex that process is.

MR. SIMPSON: That's right.

MR. NICHOLS: Okay.

MR. SIMPSON: Yeah, it could become -- as we've looked at our systems and our business processes, it could become something that is an impediment to even the dissemination of information and -- out to the market as well as data flows between us and our customers.

MR. NICHOLS: Okay, let me just ask one little follow up on that, then. We've heard the term registry tossed around a lot. There are registries of different types within the industry for different types of identifiers and classification systems and this kind of thing. People are building different ones.

There are a couple of ISO standards and other -- used in other industries around registries of registries. And federation of registration. Are we having those discussions? If we are going to tie all this together from a systemic risk perspective, we're going to have to pull all these different pieces of information together. And we're going to have to make the registries talk to each other. Are we having

discussions about that yet?

MR. SIMPSON: No, I haven't had any discussions with regard to what -- whether we'd use existing registries, you know. We've had discussions as to whether, you know, they would be independent and not for profit. But as to the specific registries, I haven't been involved in any conversations, no.

MR. GREEN: That question is related to something else that Matt said, was that basically where in the food chain does the product ID get created? And certainly to be considered in that is that that of real time reporting.

You know, certainly one of the -- amongst the goals of real time reporting are allowing market participants to see a price and know exactly what it was that that price gets to and means. Use that price for valuation purposes or risk control purposes, et cetera.

So, the further -- no, there can be technical ways of accomplishing this. But to the extent that something is price reported, the

identifier should at least in our view be easily identified as to what it was that was -- what the price refers to.

Without -- absent that, then there is some possibility for maybe overestimating what the liquidity is, or -- having some misinformation in terms of what the price refers to. So, I think that that's something that has to be considered as well in terms of where and whether it's a priority at the point of time. That's something that's a consideration as well.

MR. SOLEY: I think it's worth pointing out that there have been some conversations about federation of registries. There have been a lot of conversations about federation of registries in other industries, to my immediate knowledge. We have a standard of doing so for healthcare information registries. There are people in the audience that know a lot about product information registries, federation -- internationally. And I am aware of federation of registries in the manufacturing space and so forth.

So, it's not new technology. And while it may be a little bit more complex than having just a single rolled up registry, it's much more likely to succeed in the long- term. And that's essentially what ever other industry does.

MR. NICHOLS: That's my point is, are we having those conversations in our industry yet?

MR. SOLEY: And I -- there wasn't very clear. I'll say the answer is yes, but they're not very mature conversations that I'm aware of yet.

MS. LEONOVA: On a practical note, based on what we heard in the first panel and what we're hearing now, how plausible it is to come up to some agreement between different standards and semantic representation as an industry process? Or, we will be better off as regulators trying to focus on some type of mechanisms to translate all those data representations for the purpose of data aggregation in house?

MS. MCKENNA: I'll take a first reaction to that. The timetable for the development and

the harmonization under ISO 20-0-22 that I was referring to before is largely driven by the availability of the subject matter experts that need to be able to contribute to the content. So, the first thing that we need to do is, we need to get the right people in the room in order to come up with the right list of attributes for each of the instruments or processes that we're trying to define, basically.

And then, to be entirely clear on the meaning. You point that out in your paper quite a lot, that that is the crux that everybody needs to know what is meant by those elements within those contracts in order not to be able to misrepresent risk. And to have the calculations be erroneous in the end.

We have also to bring in the semantics work. We have the beginning of the work from an ISO perspective going on with semantics. I don't have a timeline for you at this particular point in time when the group thinks that it's going to be able to complete its work, because they're just

starting their discussions now. We will relay the aggressiveness and the priority in order to be able to get that going, because that is a basis of foundation. So we need to start there with the meaning. We have to get the data elements right or the attributes right.

We always focus on or we tend to focus on -- and I don't want to downplay them -- the implementation issues. But the implementation issues are largely syntactical or technical here at this particular point in time. And that's actually where we have the most experience in standards here, on the messaging side. So, we actually have to do work more on the harmonization and the top layer of the elements themselves.

MR. DEMARIA: I was just going to kind of summarize how challenging it is to put any timeframe on it, because there are three distinct things that -- variables that impact that timeline.

One is -- and has been mentioned a couple of times -- different OTC asset classes are

different stages of their evolution. So, the starting point for those products is materially different in many cases. The industry has published statistics on electronic confirmation. You know, penetration, in the various asset classes. And the starting points are very different. So that impact would impact the timeline.

Secondly, there is subject matter expertise limitations. Each of those asset classes would require not only technical expertise, but product expertise. That is challenge now with so many different initiatives underway. Just not enough hours in the day.

And then the third thing is, implementation even once standards are agreed. These are global markets with many different market participants, large numbers of market participants for this to work, that cut across -- you know, if you look at the platforms that are available at Market Serve, right? You know, 50-plus dealers and really well over 1,000

different other, you know, market participants utilizing these platforms and synchronizing the implementation. Not only from a messaging perspective, but from firms' internal systems so they can consume and process this information.

Those three things, it's very, very difficult to try and -- from my perspective, to put a crystal ball on that and pick a timeline that works.

MR. GREEN: One thing about that as well is that it depends on what the goal is, too. If we're -- if we need to have a UPI for every single trade that ever would be or ever was, that's a tough -- that's a very tough lift. But if we're talking about ongoing trades that are, say, cleared, that's a more tractable lift and more tractable problem.

The -- one of the difficulties across semantic representation versus FPMLs -- attribute representation, et cetera -- is, if you try to do all things, it gets to be a while before you can solve those problems because they're big, tough

problems. Perhaps if we stay focused on a subset, maybe a practical subset of the trading that is actually occurring, then it might be an easier task to do. And learn something from that as well in the process.

MR. SOLEY: Laying aside timing for just a moment and just answering the core question of mapping versus going with a single solution? The nice thing about going with a single solution is it appears to be easier. You just get to solve the mapping question the next time you make a change.

Because of the timing issues, it's quite likely you're going to have to have a solution which is a little bit of both. And that is, single -- at least single reporting syntax. But if we don't take a start at agreeing on semantics today, we'll just have to do it tomorrow. You need a mapping solution as long as there's more than one protocol, as long as there's more than one business process. And that's always going to be true, there's always going to be more than one.

MR. KIRILENKO: I'm sensing also that you have some reservations on agreeing on sort of the final date. But maybe you could identify what -- I'm also sensing that there is a sort of a -- maybe a practice to take baby steps towards a final goal. And maybe you could identify what, in your opinion, would be a sequence of these steps? What do you think would be accomplished step by step so we could sort of understand better the process of how you would go about it?

MS. LEONOVA: And I put it in the background of what we have. We have Dodd-Frank Title 7, and we have statutory requirements to address the issues of public reporting.

And we need to decide whether we are trying to rely on industry consensus, process, and leverage out of your mutually acceptable decision. Or, we have to come up with our own decision. And so far, our understanding was that you don't want us to come up with our own decision. But at the same time, it doesn't seem that you give us any degree of commitment that you're going to agree on

something.

MR. DEMARIA: One approach that we've taken with the Data Working Group that's been mentioned a few times today is, taking the credit and rate asset classes first. Rates was mentioned in proof of concept. Bob mentioned the fact that the credit market has certain standardization features that the market has adopted to date. So we see that as being a good area to create and advance some of those conversations in more detail underneath the white paper. And then use that agreement to bring the other asset classes in, you know, pretty much right behind it.

MS. LEONOVA: Can you be a little bit more specific about what exactly we are going to achieve with this first step and when we're going to achieve it?

MR. DEMARIA: There's actually a two-hour meeting tomorrow morning of many of the dealer and buy side practitioners in credit and rates to have that very discussion about how to move that forward. I think what we've seen happen

-- and we have some precedent over the things that we've done.

So if you take standard North American corporates, right? We first had credit derivatives, you know, identified by 79 variables, just to pick a number. And then have set standards on that and have really moved those products -- to go back to something Carl said, where you looked at things in like a hierarchy of three. To move those products very to the north end of that second hierarchy, I think we just need to have discussion of how you push that into that top hierarchy where you would assign a UPI.

But again, it's -- one of the logistical challenges is finding two, three hours for the right subject matter expertise to get in and actually have that discussion. And then being able to, you know, compile it and disseminate it.

MR. GREEN: You asked questions about timing. And we have -- as working as an SDR, we have some concerns about how we will practically real time report without a UPI. So, to the extent

that we can obtain a UPI on liquid clearable or exchange-traded as a first step, where what is being defined with this UPI is well-known. So that way everyone who's looking at the real time tape can understand that.

We'd like to say that that's going to simplify that problem significantly. Especially, you know, concerned about the fact that if there are more than one UPI, more than one way of representing the same thing, that could cause a lot of fragmentation, confusion.

So, I think that to the extent that there is a single way of looking at it and a single UPI, that's something to be considered as well. And avoiding -- while there might be more than -- and there will be, as stated on this panel and the previous one. There will be more than one way of representing the same thing. But from a UPI perspective, the universal piece of that is very important.

MR. NICHOLS: Just -- I want to drive this home a little bit. Are we having active

discussions about how we defragment the reporting stream? That's one question.

And the other is, the type of problem you're talking about in moving to a universal product code and the fragmentation and stuff, that's a problem that's been solved in multiple industries. Are we looking at other solutions outside of financial services? It will involve a change in possibly process, procedures, software, whatever, for people in any industry. But there are multiple industries that have addressed this very issue quite successfully for years. And are we looking outside?

MR. SOLEY: The answer is definitely yes. I'll also point out that there are industries that have addressed this very poorly for many years, also.

And I like your phrase, defragmenting the stream. That's exactly the right problem. And that is what you -- we address when we talk about sharing semantics. If you can share semantics and translate -- but as Eric Cohen put

it on the previous panel very well, if you have sufficient shared semantics that you can do loss-free translation -- which we can do -- then you can generate a stream and a defragmented stream. A stream of consistent protocol that's valuable to regulators and valuable to anyone else, for that matter. For reading the tape.

And yes, that's exactly what we're discussing when we're discussing shared semantics.

MS. LEONOVA: Well, I guess we will go to the final question and how we will manage to coordinate all these together to get the first step solution. Is it going to be ISDA process? Is it going to be OMG process? Or, what is it going to be? And what is the degree of coordination that's happening right now in the industry that can actually generate the consensus?

MR. SIMPSON: I'll say something. You know, I think if -- it's going to be hard to get consensus. I think it's going to extend the process.

I think that an approach is needed which

is one where you have -- you know, we've talked about short-term and long-term. But in the short-term, and you have these as parallel threads, short-term and long-term. But in the short-term, you go with what you have that's there in terms of what standards do I have now that are reasonably well adopted and can support financial -- these financial instruments that we want to represent?

And then you determine -- and that becomes your vocabulary. And the other thing to keep in mind is -- and this is going to sound heretical. But you know, you don't necessarily have to do this with the standard either, right? With reporting into -- for regulatory reporting. It depends how quickly you want to get there.

The other thing that needs to happen is you need to determine where in the process flow within the business transaction should the identifier be assigned? You know, I've heard some people say it should be done at the swap data repository. You know, or that's where it should

be, you know, held. But you make that decision fairly quickly, and you make a good decision about it. And then you move forward with -- as a first phase with the idea that you'd have a second phase that other standards will join in as they're ready. Because that really can be a prolonged process.

But in terms of -- just in terms of -- you know, there needs to be a process that started. And there already is one, and we're certainly willing to participate.

MR. DEMARIA: Yeah, I'll just add that the goal of the white paper was to move that forward. And all market participants in these new markets, as well as service providers around it, have a very strong motivation to get this done properly.

Any ambiguity in the process will expose you to operational loss and operational inefficiencies, which we really cannot afford collectively. So, the proper motivation is there to drive this process forward. It's just -- I'm

pretty confident that this group can work together and get things done.

MR. SOLEY: I think it's true that we already do. It's a collection of bilateral agreements at the moment. And I think what's going to make it happen faster is clear deadlines driven by real implementation. That's the approach that OMG takes in creating standards, and several other organizations. It doesn't make us special. Real solutions available from real vendors are open source that actually drive a market. And what will make the bilateral agreements that already exist throughout this industry work faster is clear deadlines for proofs of concept.

MS. LEONOVA: I would like to open the floor for questions to government representatives. Of course, Jon Marc?

MR. BUFFA: Can I follow up on Andrei's question earlier? He asked you a question about the milestones between where we are now and getting to UPI. And I think we got taken off

track and we never answered that.

Can you identify for us what you see as the milestones you need to achieve? Because as David's hypothetical implied, there is a finite deadline by which either you guys do this or we have to do it. So we wanted to know what you believe the milestones are.

MS. LEONOVA: You remember we have Title 7, guys. Sorry.

MS. MEDERO: Well, you know, from the perspective of -- I mean, it's a difficult thing, right? Because we're at a -- saying the exact milestones depends on what the solution is going to be. And we obviously, that's under discussion.

So I think that it's a little difficult to say with certainty on that. But you know, the white paper and the work to date has been along that line. We're looking there at -- to begin with -- at credit and interest rates. Those are easier products because they're more standardized products. They are cleared products, in some cases.

So, you know, obviously that's a first step. And then defining those and moving on from that. I think that, you know, from that analysis and from that work -- and as was stated, I mean, it's ongoing. And it's happening -- tomorrow is another meeting, right? From that we'll learn something and have a better answer for you. But right now, we're still forming the solution. And I think that makes it tough.

I'm a user of the data. I'm not actually creating the data or creating the standards here. But I'm certainly seeing that happening.

MS. MCKENNA: To go back to a stream that we were talking about before about what we need to do first. I am comfortable with the commitments that we have with FPML and FPL going forward for ISO 20-0-22. That the more important driver here is for the agreement on certain kinds of instruments and what certain kinds of instruments are going to look like is more important than, necessarily, waiting for

incorporation into ISO 20-0-22. So I wanted to clarify that I didn't see that as an impediment in order to be able to get going, just as long as we have the commitment to harmonize under the 20-0-22 umbrella going forward.

I think it's a different issue when we start to talk about the identifier itself. We need clarity on whether we are going to put intelligence in it or not, whether it's going to be concatenated or whether it's going to be completely done. We also need clarity on the process that Bill was talking about before, because that will drive the assignment -- the process by which it will be assigned. And we're willing to move those conversations along as quickly as we need to. But there are certain aspects that we need to clear up before we can finalize.

MS. LEONOVA: I would like to thank Matt, Karla, Frank, Robert, and Richard for coming over from different parts of the United States. Thank you very much, we greatly appreciate your

time. And we look forward to continuing to work with you to come up with private-public solutions to our small problem.

Thank you very much.

(Recess)

MS. LEONOVA: Okay. First of all, we have a logistical issue, so we have a lot of nameless CFTC people who will have to introduce themselves, and hopefully we will get our name tags in the process. But first let me open our third panel discussion that is going to run from 3:30 to 5:00. And we are going to talk about implementation of universal system of swap product classification and identification for the purpose of meeting various CFTC roles.

We have people from our group who have been reporting, position reporting, and position limits, so we are well equipped, and I guess we will get introduced starting from Bruce.

MR. FEKRAT: Hi, my name is Bruce Fekrat, I work in the Chief Counsel's Office, Division of Market Oversight, and I'm principally

responsible for drafting the regulations for large swaps trader reporting.

MS. HOSSEINI: My name is Ali Hosseini, also in the Chief Counsel's Office, DMO, and working with Bruce on the large swaps trader reporting.

MS. ADRIANCE: I'm Reva Adriance, I'm in the Division of Market Oversight, working in the Market Review Section, and working on the SEF rule-making.

MR. MELERA: Hi, my name is Mauricio Melera, I also work in the Division of Market Oversight, Market Review, and I work and help out with the swap execution facility rule-making, as well.

MR. MARTINAITIS: Gary Martinaitis, I'm in the Market Information Group of Market Oversight.

MR. SHILTS: And Rick Shilts, the Director of our Division of Market Oversight.

MR. STEINER: Jeff Steiner, in the Market Review Section of the Division of Market

Oversight, working on the real time reporting rules.

MR. LEAHY: Tom Leahy, in the Division Market Oversight, and working on real time reporting.

MS. LEONOVA: As I said, we have a number of representatives from different rule-making teams, and, Jeff, I guess I will throw you under the bus and we'll let you take off with the first questions that you put on the agenda.

MR. STEINER: Thank you very much. I guess one of the questions is relating to the UPI's and sort of how we could leverage the UPI's that are developed to assist in real time dissemination of data. So the first question would be, assuming that there may be multiple disseminators, how will a real time disseminator sort of decode the UPI's, which I think yields a question of, at what level are UPI's -- do UPI's become developed, and then I guess what information related to the UPI's should actually be publicly disseminated? We'll start with that.

MR. CHINAI: I can start. I think if you assume that a UPI is made up of a product classification and tradable instruments underneath it and there's some kind of hierarchy, I think -- and you have a DPR as if the paper is kind of already defined at a high level, then I think the information you need is kind of the UPI coded back to the product to the tradable instrument that's sitting in the repository that you can look up.

But then I think it's important based on an asset class down to a product level that you really understand the dissemination to the public and the rules around that that may affect liquidity, because I think it's an important issue in terms of how the marketplace will look at that information from a public point of view.

Some instruments traded are very liquid, they're traded very often, you know, 100 or 200 times a day, some are traded once or twice a week. So it's very important that there's some rules that sit between the SDR and what is going to be pushed out to the public, and that's an important

part to consider.

MR. STEINER: I guess a follow-up to that is -- relates to anonymity, and, you know, one of the things that Dodd Frank Section 727 says is that we need to consider that the identities of the counterparties are protected and publicly disseminating the information.

So, for example, if we had a UPI that was rather long, if perhaps, I don't know, and I guess this gets to the question of where do you cut it off, and I think this is particular sensitive in the commodities asset class, I guess the question then is, how can we create the UPI's and maybe the UPI itself is different from what's publicly disseminated, but to ensure that the identities of the parties are protected?

MR. CHINAI: What I think what you mean like that, there will be no counterparty of any kind going out for dissemination, it's figuring it out from the UPI. For example, it's a very low liquid instrument, we know that three dealers actually trade that, and we can kind of figure out

which one it is.

MR. STEINER: Exactly, yeah.

MR. CHINAI: So we will need a way in what we actually produce that goes out to the public so that cannot be decoded. And so there's probably another lair of filtering or rules that need on top to protect the marketplace.

MR. GREEN: I would add to that is that there's clearly a difference between the real time reporting and what the Commission itself can see. And from that aspect, what's in the real time reporting should obviously preserve anonymity. But what's in the SDR itself is the full gamut of the trade. So there is a balance that has to be struck between -- on real time reporting between a very liquid instrument, where you've defined everything, because the goal is to do that, right, is to say this is the price of that liquid instrument versus the desire on an illiquid trade to preserve who the players were.

And the challenge, and we got a little bit to this in the previous panel, but one of the

challenges is that if you strike away -- start to strike away data attributes, pretty soon you've now gotten to a point where maybe this price doesn't really mean what it was meant to mean, and so that's a balance that has to be thought through. And I think to Neil's point earlier on is that it does affect liquidity, it does affect lots. We have to make sure that we understand that well and not necessarily go at it with full force.

MR. STEINER: Does anyone have any ideas for how maybe we can strike that balance?

MR. TUPPER: In regards to the commodity space, we're familiar with the comment letters that were submitted, specifically with real time dissemination of products, and obviously if you do that with very specific UPI's, you know, the fear by the trade is that, obviously, their anonymity is going to be unveiled with those trades. Without a doubt, you're going to need -- a repository will need in the industry UPI's that are specific enough so that people can accurately

report the transactions that they enter into.

I think the balance then becomes when you're -- if an SDR is also running a real time reporting or ticker facility, aggregating the data up in a manner that protects the trading participants in a particular region, so what we would recommend that ICE is, you know, especially in commodities, there's a way that, you know, that Hubs are kind of categorized in particular regions, so for probably a real time ticker, you would roll that back up and then report that publicly. But obviously for, you know, for the need of reporting to the Commission, and obviously tracking continuation data, you would need specific UPI's so that you could accurately reflect the underlying positions that were entered into by counterparties.

MR. CHINAI: I think it's easier to answer that question if you believe the philosophy that not everything is uniform, and that things go into different buckets, and when you're in that illiquid bucket, you just use a different set of

rules, and you can provide as little as you want and I think still be in the jurisdiction of the law.

MR. WINN: I think you shouldn't shy away from the fact that some of this could be intuitive, as well. So it's not that we necessarily need to define it on every single question that you pose in that example right now before starting to do some of the reporting.

Let's be cognizant of being able to provide information that satisfies the requirements that give you the information, and that perhaps in that, there's a phase where we go through a period where, with your feedback, as well, we consider what information is appropriately real time disseminable on the back of that, so that we don't necessarily have to arrive at a conclusion (inaudible) of knowing the persuasiveness of having all that information gathered together already. So I would suggest that as we can look at the standards that you've reported in the past, where a vast sway of the

derivative on the fixed income side between credit and rates is reported currently. There's probably very little risk to the points that are being raised by my colleagues in regard to that being real time -- available in real time.

Other attributes, I think we might be better served just having imperative reflection, not that we don't report them, but that the real time reporting is perhaps something which could be considered a second phase -- second stage in that process.

MR. GREEN: We would definitely suggest that to the extent that real time reporting is definitely important, obviously, but a period of time where the Commission and the industry takes a look at the data just to make sure that these issues that are very important are considered. There should be a trial period where reporting has occurred, but real time reporting is under -- just making sure that we're not going to leak out data that is inappropriate for the law.

MS. COCHRAN: I think I would also agree

with what's been said a few times ago, that Cargill is obviously very interested in how this will be handled for highly customized trades, because we're involved in that market for ages.

I think it was said earlier that possibly the very specific reporting that the CFTC needs is not the appropriate information to be released to the public, and there's possibly a higher level or a different categorization of very specific products, maybe they go into product categories or product families that are a higher level pulled out of that very specific data. I don't know how that would affect price discovery, but that's an idea that I was thinking about.

MR. STEINER: I just wanted to kind of sum up. So for certain, would it be fair to say that for certain products, it may be appropriate to publicly disseminate the entire UPI, I guess depending on where we are, let's say it's everything that's important to the price of that, whereas for others where that may be less liquid, have fewer players in it, it may not be

appropriate.

MR. CHINAI: It depends what you mean by the UPI. Do you mean the UPI code, the label, you know? There's a lot I can go into the definition of the UPI, so I don't want to be --

MR. STEINER: I understand.

MR. CHINAI: -- so specific in saying that. But I'm sure we could figure out the right fields that should be put out to disseminate on the back of the definition of the UPI.

MR. STEINER: Right, I guess what we're thinking is, how we can leverage off of what's being done for the UPI to inform what becomes publicly disseminated.

MR. CHINAI: So then I would just -- I think you could figure out the X fields that you need, and as long as the market participants are comfortable with that dissemination and timing of that dissemination, which I think is really important even in a liquid product, if you really are thinking 15 minutes or less of putting it out, you know, what is the risk to hedging and

liquidity factors of that particular product and how it trades.

MR. GREEN: I would -- perhaps also it doesn't have to be one size fits all. There is more liquid products, clearable products, let's say, just for talking purposes. There might be -- the UPI's for those might define a larger set of attributes, because to -- as was pointed out earlier, those are more liquid, and so, therefore, there's less chance of problems with that, whereas to the commodities example, where the delivery point is, might very well leak out a lot of information. So those UPI's that would be used at a point in time could encompass less data, again, worrying through the issue that the less data you have, the more chance that the price that's being reported on the real time tape can be confused between two essentially unlike deals with different prices and perhaps being confused as that is the price for something.

MR. MELERA: If you don't mind, talking about the definition of the UPI and a little bit

more and who might get involved in determining what a UPI -- not only definition, but approached generating those UPI's, might be from this representative group or someone else in the industry.

MR. CHINAI: I mean I guess from a dealer perspective, I mean we're very supportive of the work that is done so far around the white paper, the DPR proposal that's on the table. We kind of joined the group three months ago because we wanted to push this as a firm around data standards. We think that we should just go ahead and push that further around the taxonomy that needs to be defined, going to RFP, and starting to build. And, you know, we think as a firm, then we look at all the interconnectivity, SEF's, CCP's and real time reporting that we are probably aiming for second half of next year to have this all working in the right way, and we'd like to see it head in that direction.

I know there's comments about different standards, but -- and they're always good

conversations, but the reality is, we should pick a standard, we're comfortable with the FPML, we use FPML internally, and so we back the approach so far.

MR. MELERA: And particular reactions from everybody else on that side of the room, as well, if you can.

MR. WINN: Listening to the previous panels and just being cognizant of the requirements that you have on the point that was made about needing to achieve something in a reasonable period of time, otherwise, something might be achieved for us, I think there's a time to market reality which we have to consider. That's not to the extent that we don't have conversations about arriving at standardization in terms of formats, alternative formats. There's a commonality of usage currently in derivatives in regard to FPML. It provides us with something to leverage off. It probably provides us with the capability to deliver something to you in a format that you can use, quicker than alternative powers

would take us down. It doesn't make that approach better, it does, though, provide it -- back it up with something we're familiar with and something we can achieve for you quicker.

So to Neal's points about use the white paper and the parameters suggested in there, I would suggest that that's probably the most persuasive route we have to facilitate the goal of giving you data in a format that's normalized that you can, therefore, use.

Being cognizant of the requirements, our visibility for transparency, but also systemic risk litigation, so to give you data that you'll have to then renormalize potentially later or that we'll, as an industry, need to go through a second iteration of is going to be a longer process. I think that if we had to -- and to try to give you some comfort about time lines, I know it's very irrelevant that you have those views, and it's hard, as you can see from the industry, to actually give you specifics. And I think everyone understands the issues that are embedded and why

that's hard. If we leveraged off FPML, leveraging for you the product asset classes that we've used to date with success like credit rates, we feel we could be reporting to you something meaningful during the first half of next year.

MR. MELERA: Anyone else?

MR. DASSO: What I'll say as NFA as a third party service provider, we don't necessarily have a preference on, you know, who would actually distribute and determine the UPI, but, you know, what we're hearing with these timelines, what we're working with SEF's right now is, we're under the impression that the SEF's are going to have to, just like DCM's do currently, create their own unique product codes, you know, assuming that the SEF's launch before UPI's is actually available, you know, for the swaps world.

So what we've done historically with our DCM clients over the last ten years is, in instances where exchanges have listed like products, we have mapped on the back end to our surveillance system, so that's really what we

interpret initially going, you know, day one is that each of the SEF's will have to determine the unique product code, and we will -- once the UPI comes out, map the historical data back to that and on to the appropriate UPI.

MR. GREEN: From an SDR perspective, we're obviously going to support what the industry chooses from the perspective of creating UPI's, and that's, you know, we don't have a particular view as to which commercial or non- commercial venue that should be.

But what we do think is that it's very important that we have one standard, that a UPI is a universal product identifier. We think that helps greatly in terms of reporting, especially in the real time reporting space, but also to the Commissions, as well.

To that end, you know, having the industry initiative through ISDA, having an RFP process, and then a registry that emerges from that is likely to get to that process.

MR. CHINAI: I mean I think the reality

is, we clear today -- we electronically trade interest rate swaps, we clear interest rate swaps, all the participants in there basically take ten fields, they look through those ten fields and they figure out a synthetic product ID, that's what they do, right. I don't think SEF's actually will create product ID's on their own, because they don't actually need to, because they can just do it the way we do it today, but where it gets really difficult is when you're trying to report. So when you're trying to report, you do need a UPI of some sort, especially if you want to deal with harmonization and pulling things together globally.

The reality is, you know, the dealers and the SEF's can pass you a lot of data. The problem you're going to find once you get the data is, what do you do with the data and how do you answer the questions you need to answer. And so I think around reporting, the UPI is really important.

If you have a UPI, then it's easy to see

how you extend it to SEF's and to CCP's. But by itself, I don't think SEF's need UPI's necessarily to be able to electronically trade.

MR. OKUPSKI: There's the aspect of, you know, really that registration authority or that governance figure, as well. What you need to avoid is a corporate event of some type. You want to make sure that your data is normalized and comes together. And so if you have SEF's taking an approach, even though they may follow a particular protocol, that needs to be normalized at the end of day, at least end of day for next day trading. So, you know, the importance of a registration authority, whatever term you want to use there, essential governance committee, that determines particular events, and whether that be ISDA, as occurs today with certain types of secession events and that type of thing, but there needs to be that role, that central authority to resolve disputes and handle exceptions, we need to keep that in mind.

MR. MELERA: Thank you. And building on

that, going back a little bit to the importance of liquidity and how liquidity might impact the terms that may get reported or included in the UPI, is there any sense of whether or not the process would be any different when we start to talk about the kinds of trades that the Commission expects to have trading mandates attached to them, meaning that they could only be executed on a SEF or DCM once a particular liquidity is exhibited with respect to those kinds of swaps? Is there any difference in the process or in the way that you all envision possibly things being handled with respect to UPI's, if that applies?

MR. GREEN: Well, again, from sort of the swap data repository perspective, to the extent there is a UPI, it'll be reported; to the extent there isn't one that emerges, then we would have, over the course of time, as envisioned by the Commission's rules, all of the data. So from the perspective of systematic risk oversight available to the Commissions, I think that there would be a full set of data available.

I think what we've been largely talking about here is, because that would be reported over the course of time. I think that -- I think what there is a -- the issue here I think is really from the perspective of, you know, it's executed, then cleared, is there sufficient liquidity there, and so, therefore, can there be a UPI that describes that, and then when it hits the tape, do people understand what that means. I mean to some extent, that seems like a simpler problem and perhaps one that could be solved first.

I think the other extreme of that from the -- to go to the contra example of that is on the bespoke trades. We talked about that -- Carol from ISDA talked about that. At one extreme, that really there's no electronic representation. But there's a fair chunk of trades in the middle where there is electronic representation, but it's so unique in its composition that a single UPI defines a single trade, and that's where we -- this issue about anonymity, I can't say that, being anonymous matters quite a bit, as well as

what is the utility of that from the perspective of looking at the tape and the like. So I think that there is some, you know, middle ground there perhaps, and we talked about implementation, well, there's some middle ground there that -- leading toward the more liquid, cleared, defined products makes some sense.

MR. DASSO: You know, I think probably the best example is, prior to coming back to NFA, as you know, I was in charge of surveillance for ICE OTC, and the Commission had deemed 14 of their swaps to be -- service significant price discovery function, so part of what went with that designation was the public reporting of volume open and trust transactional data.

So there is over, last count before I left, like 350 cleared swaps, but only 14 were publicly disseminated with information. And I think a big part of why ICE cut that internal is because of the fact that they wanted to keep the counterparties on those other swaps that were less liquid, you know, out of the fear -- the fact that

other people would determine who they were on those transactions. So that might be an approach to look at as, you know, for liquid swaps, is what is liquid, what does the Commission deem to be a liquid swap, and therefore, you know, would require the UPI.

MR. STEINER: Do you have any thoughts on what defines a liquid swap?

MR. DASSO: I'm not going to throw out a number because I know that's what Chuck Weiss did and that was I think a little too low. But, you know, it has to be some type of combination of volume, say open interest within that swap, number of say participants that are active within that market could go into the determination of whether or not there's -- it's deemed to be liquid or not.

MR. CHINAI: Also number of trades given our -- a week, a day, whichever way you want to look at it.

MR. WINN: I mean you've got a reasonable amount of history to look at that can help in answering that question. The industry

itself lacks efficiency, as well, and a support perspective. I mean if you look at the standardization and the electronic confirmation for signatures across rates and credits, I think we have about 98 percent of the eligible CDS's or electronically confirmed, and I think the rates number is getting considerably high, so I stand corrected, that's a market save obviously. The point being, there is some track history to look at to give you a clue as to what's liquid. The market tends to figure out what's liquid because it becomes an overhead to support it if we don't have efficient work flows to support it, so we start to develop electronic processes and we start to -- as the industry move towards, yes, this is our next priority to put onto execution platform or to have for clearing what you have for confirmation.

So I think across a large number of asset classes I think commodities is a bit harder to do that, you have a good history to look at to determine what is going to fall into something

that you might call liquid versus illiquid.

MS. ADRIANCE: Maybe I'm misunderstanding, and I obviously was not here for the earlier panel, so I'm sorry if I'm asking something that overlaps. But just as kind of a follow-up for what was just being said, my impression is that there is a view that there's a certain point in whether it's liquidity or this certain development in the swap where it's -- it needs to have a UPI, that it is ready to have that, that's important, and then there's the other extreme, where there seems -- where you seem to be saying that, you know, if you would have a UPI, it would almost be enough to say, well, this is just this one trade, as was mentioned, and so those are two -- the two edges, you know, they're the two extremes you could say, and one of the questions that we have to deal with is in the middle, you know, not just when it's enough that you could say, okay, this one is -- whatever standards they use, this one -- you need to be UPI, we can develop it, it could get developed, there's

something in the middle.

Sometimes at this point, certainly this world is developing execution models, you may have SEF's that not only lift very liquid swaps, but also lift swaps that are not liquid or are illiquid, and they may be done, you know, which may not have a lot of trading, but may actually be done on a SEF. And so from our perspective, we're still going to have to deal with what happens there and how does that get reported.

And if there's anybody that can address in a sense what, you know, aside from these two extremes, and I realize extremes are easier to address, do you have any suggestions when you're at the point where you have something less liquid, it's solved, but it's on a SEF, it's on -- or a DCM for that matter, and we have to deal with this issue, do you have any suggestions?

MR. CHINAI: Well, I think when we're describing the spectrum, I think if you could actually trade it on a SEF in an electronic mode, then I don't think there's a problem with the UPI

at all. I mean I think we're talking about things that are actually very bespoke, very customized, and would be very hard to put on a SEF, and don't trade a lot, are very illiquid. And that's not to say the UPI -- I mean the UPI would be okay.

I mean you may set up a product family of bespoke trades that are going to have certain types of trade instruments that all roll up to these very bespoke types of transactions, but for the most part, when we're talking about UPI, we're talking about the highly liquid to mid liquid to heading to the low liquid, but not the complete illiquid, right, situation, the UPI and still make sense, you know, it's just -- it's not being built for the bespoke trades is I think our point, I think that's your point, as well.

MR. GREEN: Yeah, I might give two examples toward what you're saying. In the credit default swap market, a standard North American corporate, there are those that are cleared, so they're, by definition, pretty liquid, there's a lot of depth in those. But standard North

American corporate type of swaps are really -- much of those things that you can negotiate in a bilateral perspective have been defined in the contract law itself, in the contract itself by the definition of what a standard North American corporate is.

But then the rest of the -- so the taxonomy, I mean we talked a lot about that in these other -- so the taxonomy, whether using FPML or a different way, you've defined a big portion of what those attributes would be. There's a few left over that are per trade. Those that are liquid and cleared are there; those that are illiquid, you could still define them, as well.

And so from that perspective, just because the product itself is very developed toward standardization, the UPI is easier to define for that. If you use an alternative example, say in equity derivatives, where you've got a basket of instruments that you're trying to put off the risk on, you can define that, that can be defined electronically. It's not likely to be

electronically executed because it's very difficult to -- you can define it electronically, but it's difficult to define. So in that case, the difficulty of defining it is going to make a challenge in terms of actually putting together a UPI that is useful. I think one of the things that we haven't talked about here too much to date, but I'd like to bring this up, is that whether it's a significant or insignificant UPI, it's really important that market participants are able to say, when they use that UPI, that here is the list of things that that means.

And if we go down -- we have to balance the -- between -- everything has a UPI, including all of these varying, you know, one off type trades, versus here are things that UPI's which really mean something and are known in the industry, you know, that's a balancing act.

You know, we certainly I think on this panel have talked about the fact that, you know, the ISDA approach toward that TR1 makes some sense.

MR. STEINER: Sort of following up on that, one of the things in the real time proposal, we gave a couple of examples of how we saw, you know, possibly a ticker evolving and maybe a way that we saw symbols going, and I think the ISDA white paper, the April 14th paper cited to that, as well. And what we had said in our proposal was something that sort of combined -- it distilled it down into a pretty useable type form that people would use. Would you envision that -- like let's take interest rate swaps, for example, like let's say one interest rate swap has a different day count fraction than another interest rate swap, all their terms being the same, the price is going to be slightly different for one compared to the other.

Maybe there's the -- whatever the UPI is, whether it's a number or something, there's a -- are you saying that there should be a place where the public can go, they can look quickly and see that these trades are substantially similar, but the prices are different, there should be a

place where they should be able to go to see the full list of terms and say, aha, well, this price is different than that one because the day count fraction is different, something like that, I don't know. I don't know if that's what you were saying or if I'm sort of reading into it a bit.

MR. GREEN: Well, that is essentially what occurs in the cash markets. So there are market participants when you look at either a RIK, or a CUSIP, or an ISON can generally find through some process what is being meant there. A UPI that I make up for myself to be used for me doesn't have too awful much use, right, to anybody else. The idea of a universal, therefore, meaning everybody uses the same thing, product identifier is a really important process. And to the extent that the UPI helps the, you know, the UPI will definitely help you folks and definitely help on the tape, as well, but, you know, the other thing that could be -- that should be important here is, the UPI can help from an operational efficiency perspective in the market participants.

And to the extent that we can meet all three of those goals, we've done a very good thing. Obviously, we have -- it's most important, obviously, to meet the regulations because that's the law.

MR. CHINAI: Well, I think you also want the UPI to be flexible enough so, you know, ultimately you're going to have a string, like a five year interest rate, US, LIBOR, you know, kind of string, maybe a couple of other things you want in there, OIS or what have you, that's in the string, and you want to be flexible enough, so when we send it to you and you try and roll up and report on it, it actually has some meaning to it. My guess is, there will be an internal representation of -- just in terms of sequencing or whatever it is in it, and then there will be some kind of string that allows you, us, everybody to identify that trade in a proper way, you know, that's a sensible way.

MR. GREEN: Yeah, and I said this earlier, and I just want to reiterate it, there is

a difference, though, between the needs of the Commission to receive data, and so, therefore, the SDR to prevent, you know, provide you data in the mechanisms that you choose.

First it's the public reporting. I want to make a bright line between that. The regulations suggest that an awful lot of data be submitted to the SDR, so, therefore, by its definition available to the Commission. The UPI is a useful mechanism, obviously, to the Commission for saying here is classifications, but the data does exist. It's not that the data doesn't exist, the data does exist in the SDR.

I think the bright line distinction that I tried to make earlier is that from a public perspective, it's very important that we -- that all users, public users of this data that is being publicly reported know what it is that was being reported, and that, to me, is a bright line.

MR. DEMARIA: You also have to remember, whatever you send out to the public is likely being sucked into other programs that are trying

to do something with it, right. And so I completely agree with what Bob said, is that the differential of what you give on the public side is important. So maybe you just say interest rates swap instead of giving the details. Or maybe in commodities, you don't tell if it's oil or what have you because it gives away things. You have to really look at making sure that the market does not destable by the information you're putting out, or people are using the information in what ways.

MR. PULLEN: Just to summarize real quick, I have a question to follow up with that. So what I've heard is that there will likely be UPI's being created for swaps training on SEF's, other electronic trading platforms, and those that are cleared, not for one offs though, but would you -- I mean we were here a few months ago, we all were able to see some live screens, and on those live screens we saw that the vast majority of these markets are not active, in fact, they don't even have a trade sometimes in any given day

of a sample.

That being the case, since they're already on their electronic platform, though, based on what you've said previously, you'd assumed they already had a UPI associated with them because they are out there and they may be traded tomorrow, even though they're not traded today. With that being the case, since it's already in that electronic format, would you then anticipate that being the same format that's disseminated to the public in a real time manner, since it's already going to be disseminated to the other participants in that market in that same manner when that trade occurs?

MR. DEMARIA: I just think that when you look at what goes to the public, there's a set of rules that gets added on top of what goes to the SDR, you know.

MR. PULLEN: I understand the two data streams, I'm not saying that they would have clearing information and things of that nature, but I'm saying as far as the trade level, the

electronic term data for any electronically traded instrument or cleared instrument, it seems like there would be a UPI, that UPI would have uniqueness about it, it would already be a contract that some exchange is listed, and, therefore, it would have an easy one to one association with a real time tape; is that a fair --

MR. DEMARIA: Without getting into specifics of things that may violate that rule, as a general rule, yes, as a general rule. I'm talking more of the more liquid side of the equation here.

MR. PULLEN: But even for a product that only trades once a month, let's say, or once a week, if it's available on an electronic platform and every participant's electronic platform can see that trade go through and know that trade is gone -- either gone -- but has reached confirmation, what would be the harm in then showing that on a real time tape, since it's already being shown to all the market participants

in that given SEF or DCM?

MR. DEMARIA: The way I think about it is, when you do a trade, and say you do it once a month, how long does it take you to hedge that trade, right, what's involved on the risk side, and all those factors combined then determines how quickly you put it out to the public. If it's a product you trade once a month and you can hedge it immediately, right, and there's no risk, or it doesn't put the market at any disadvantage, then it's fine.

MR. PULLEN: But for the other market participants, they're going to have an informational advantage because they're a member of that set that trades occurred that the rest of the people watching the real time tape would not have. And by having the real time tape, the idea is to eliminate that veil and have more transparency, is it not?

MR. DEMARIA: It depends what you mean. If you're trading -- again, it's kind of hard because a product that doesn't trade often

wouldn't be in a central or a limit book typically, right, so yeah, so you're probably talking an RFQ5 of some sort, and so not everybody would see it in that mode, right.

So the problem with the question, unfortunately, is, you can answer it both ways, so I think in some cases, yes, but again, without specifics, it's hard for us to tell you 100 percent. The one thing you did say is, in SEF's and what have you, there are UPI's, there are no UPI's today electronically, because people -- people just basically use five to ten fields to figure out what it is they're trying to trade. So I just wanted to -- in case that wasn't clear.

MR. PULLEN: If they took those ten fields and create a UPI out of those ten fields, then that could be the -- well, by the same representation of the --

MR. DEMARIA: Yeah, that's what we have to do, right. When we trade an interest rate swap electronically today on Trade Web, and then we send it to Market Wire, and Market Wire sends it

to someone else, we've all got this code that sits in there, and it denotes these ten fields and says, ah, that's an interest -- five year interest rate swap -- swap great, and the Market Wire does the same, then it -- we all have a code that does it effectively today.

MR. OKUPSKI: I mean you do have the example, credit default swaps where you have market red which acts that --

MR. DEMARIA: That's right.

MR. OKUPSKI: -- in the CBS space.

MR. DEMARIA: That's true, yeah.

MS. LEONOVA: Brian, actually I was going to pick on you, given that you have experience, what kind of relevance do you see with this underlying cash instrument identification for our problem?

MR. OKUPSKI: I mean the relevance to cash instrument and RED, you know, the RED concept does go into cash markets to some degree because RED is just not an identifier to represent the reference entity that's trading. RED also has an

extension into the actual underlying obligation, so the cash bond, which the market participants will be using for their analysis, they're trading their risk. So, you know, if you look at RED, RED has done this in a space, or CDS, and RED has extended into cash markets to some degree and the information there. So you can look at it as something that works today for a particular market, it's a prototype to look at, and how it's been achieved. I think part of the success of RED is the fact that the industry works with market, we work with ISDA, right, that central governance committee, we work with market participants to make sure that it reflects their requirements and what they're trying to achieve in the marketplace today.

I think, you know, what you have with RED is obviously -- it's not mandated by any central government or agency, it's become a standard because it achieves something for our customers today, but, you know, as far as the cash market implication, it can be extended, we've had

discussions like that, we have interest in having more discussions, but it's to be determined as far as how far we'll be allowed to go with that.

MS. LEONOVA: Okay. Bruce, it's your turn. So given your experience in ICE and energy product identification specification (inaudible) whatever you're doing with it, how realistic do you think for us to achieve some degree of classification in the commodity (inaudible) especially in energy products?

MR. TUPPER: If you look at the various venues of execution and also the clearinghouses, I would say that each of them has a fairly well defined set of, you know, product ID's. So basically if -- it was mentioned earlier, if any of these products are liquid enough to be, you know, listed on a trading venue and cleared, then obviously there's a, you know, a product guide or a definition that each of the exchanges are going to list, and those unique identifiers are I would say within the commodity space, you know, they're well defined, people know what they are, and their

internal systems have mapped to those.

I don't know if there's -- there isn't just one overriding one that encompasses all of them and tries to pull it together, but I would say people call things pretty similar by instrument, you know, common instruments that may be traded in one or two venues. It's the same kind of nomenclature. I wouldn't say it's so unique that the ID numbers at each of those that various venues give to it to say, no, but people know what they are.

MS. LEONOVA: Sue, I would like to ask you the same question in the agricultural space, how much standardization is there and how much agreement between different place on how it was agricultural swaps.

MS. COCHRAN: Well, as I mentioned earlier, I can't speak for the entire agricultural market, but in Cargill's case, the products we do are highly customized, so no standardization really. And I don't know, maybe others could comment on what they see in the rest of the

market. But, for us, they're not standardized.

MS. LEONOVA: Can you expand on how you actually did a presentation of your products given this bilateral nature of those instruments, how it classifies them in your systems. Do you do it item by item in some type of (inaudible) what is done?

MS. COCHRAN: We do it item by item, so probably at the level of detail that the CFTC would want for its reporting, so you could see all the terms of the transaction. Does that answer your question?

MS. LEONOVA: (Nodding)

MR. OKUPSKI: There's a bit of a cottage industry that's come about because of the fact that the symbologies don't talk to each other. So if you take Thompson Reuters, or you take Bloomberg, or you take a direct exchange feed, they don't talk to each other, and there's no mapping there. And some of those proprietary, some of those have been opened up now to become more of open symbology initiatives, but, you know,

I know from my experience, end customers, end users do look for that normalization between the exchanges and data providers and other platforms, and it is an industry issue and it has been for a long period of time.

MR. GREEN: Yeah, it's an interesting thing. I mean the early portion of the panel discussions talked about the plethora of standards, and that's about syntax and taxonomy. And when you get down to practical terms, to the extent that there is the equivalent of a UPI, there's often more than one, meaning the same thing or very similar types of things, and that's something that I think that, at least from the idea of a registry, it doesn't really matter that you have multiple UPI's as long as they can all be translated back and forth to each other if they mean the same thing, but it would sure be nice if, from the reporting perspective, the public reporting perspective, that there was a single UPI that was used.

And I think that that's, you know, to

the extent that there is a registry that emerges, that will probably do two things, one is, it will, over the course of time, get the same products to be called the same things, and hopefully from the public reporting perspective, a single nomenclature is used, again, avoiding potential views toward more liquidity than there is or less liquidity than there is, et cetera.

MR. DEMARIA: I'd also add the harmonization aspect. If you're trading a euro swap or a U.S. dollar swap or a euro CDS or a U.S. based reference, we really need to think about pulling together globally or I think it would miss the part of the objective, so harmonization is really important.

MS. LEONOVA: Are you pulling in globally?

MR. DEMARIA: Yes, I mean inside of our systems, we pull it together globally.

MR. WINN: I think as you see with all these identifiers that have developed in the past, they become used by different market players, and

there's an obvious connectivity that will occur in the future between the SEF's, the CCP's, and the SDR's, and I think our view from the dealer side is that aspects around the trade level identification and attributes that are going to become important to you such as the security ID, such as the counterparty code under the LEI, these are all a very class of deliveries that are going to form a very fundamental basis for us to very efficiently connect the front to back architecture together, not just internally, but for the industry. And you can certainly expect that the clearinghouses and eventually the execution platforms, although there is some debate about -- start using these as identifiers, but it's a fairly reasonable need to consider how a UPI is going to become used and more than simply the -- not that it's narrow, but the current parameter in terms of the objectives that we're talking about here.

So I think for us it's very key to resolve these issues quite urgently, to consider

this almost one of the foundation blocks of the future framework that we deliver as a mechanism to be able to talk to each other, to talk to other vendors, to talk to other parts of the work flow, and to talk to you. So we actually think this is very important to get right quite quickly.

And to that point, it's clearly only going to be better to have single repositories where these are disseminated from, and the uniqueness in regard to the ID's, and to Neal's point, a uniqueness globally.

MR. TUPPER: We view the SDR's as kind of a provider of the UPI's. I think, you know, especially in energies, was a very diverse -- customers or participants, not all of their systems are going to be able to, you know, accept or change to conform to one UPI. But obviously if they're able to, you know, send ID's, you know, what they commonly trade to, you know, an SDR, that then can translate that for them, really the end game here is to get all the data in one repository and then be able to, you know, create

reports for the Commission and public dissemination with uniform ID's, and review the SDR's as providing a lot of that, you know, that service in the industry.

MS. LEONOVA: I would like to bring as back -- particular -- about -- right now, what is your feeling your particular organization, if it's going to establish our rules, be able to meet those rules with respect to further identification -- we going to come up with a new product -- consensus -- solution or regulate a solution or -- rely on your internal systems, what is the feeling, can you do it, can you not?

MR. WINN: Internally you can map anything. Most of our IT systems are pretty sophisticated to be able to translate data at a trade level to some level of mapping. I don't believe the significant body of the work is around taking an agreed mapping particle and associating an ID against it and delivering that out. I think the challenge that we are faced is the arrival at the consensus or who provides that information.

The taxonomy in regard to the product and trade level, I don't think the huge challenge is in there either, it's in the set of deliverables that are working through which is the particle, is it FPML, is it something else, our starting point being what we know.

So, if I may, the question is almost pushed back, it's -- we have something we can utilize, and we suspect if we utilize that, we can deliver something to you quite quickly. The internal route to deliver it doesn't feel heavy, that's in its pure complexity rather than times of delivery cognizant of all the other adherences that we'll need to respect, as well.

I don't think the heaviness is in developing the architectures of deliberate, it's agreeing on the foundation for the framework.

MR. GREEN: You asked for comments on that. From an SDR perspective, which is the role that we will play, we expect that the UPI's that emerge, unless we have to due to your guidance, create the UPI's, we think that it's much better

for the industry to emerge and consolidate on those UPI's. It's harder to understand from sort of an abstract perspective of receiving a lot of data perspective, what should be -- should have a UPI, which I understand that there may be a difference of opinion on that on the panel.

I think, though, that from the perspective of once we have a UPI, that is easy for us to use. We'll code into that. We can, you know, the UPI will define a set of parameters, perhaps all, perhaps a series of them, and from that perspective, it's the same as Simon said, our systems can translate back and forth fairly easy. The tricky part is defining what it is we do want to have UPI's on and when do we want to use them, and I think that's -- that we need some guidance, as well.

MR. DASSO: As I mentioned earlier, NFA as the service provider potentially for SEF's, we are anticipating, you know, of course, I would prefer to have UPI day one, it makes my job much easier, but we're working under the assumption

that there won't be UPI's in place day one for trading.

So one of our next steps, or what we've actually started to do is, we've worked through our data elements that we have, 170 unique data elements, or actually more than that, but that we've sat down with potential clients and gone through, one of which is the UPI field. But absent that, our next step is to sit down with the SEF's, with the DCO's, with the SDR's and work through the data flow, because one of the most important things for us as a service provider is to track the life cycle of an order through, you know, through placement, through transaction, through clearing, and any other life cycle events that could affect that swap, and that's where ultimately the UPI will definitely help us do surveillance and to track position limits. But day one, we fully anticipate that we'll have to map through the entire process.

MR. TUPPER: I don't believe the challenge is going to be for the people on this

panel to adopt, you know, a UPI. I think once we determine what's the right framework or what methodology we're going to use, I don't think that's, like you said earlier, a very heavy lift.

I do believe the challenge will be with more the buy side or the customer side of the business. Many of them rely on vendor systems, and they don't have at their disposal the control to actually make those changes to those systems. So I do see the SDR's or potentially, you know, vendor solutions in between the customers and reporting to be able to adopt this -- whatever taxonomy we choose to be the one by asset class. I think that's going to be probably the heavier lift to the industry.

MR. DEMARIA: I mean I think as a firm, we would probably, around this issue, we would say start with credit and rates, start with cleared SEF's, cleared SEF's SDR's as a starting point. I think you can get around the problem you just said by mandating that anybody that wants to be a SEF has to use a UPI and then that problem will kind

of go away. But focus on those areas first and get those right.

We would like to see the ISDA DPR proposal go forward, and, you know, certainly push that as hard as we can. I think, as a firm, we would say commodities is more difficult for the -- actually the reasons that Bruce was pretty articulate in terms of how you get to the UPI, but I think we can make a lot of progress around the asset classes and the strategy I just said.

We're also fully aware that, you know, when the rules get defined, you may turn around and say, well, listen, it's still taking too long, we need to give you some data, and so we can give you data if that's what people need in the short term. I would suggest that you should think about taking that data in a very tactical way, because all of this is pretty expensive for everybody that's involved, let them focus on the strategic solution of getting it integrated correctly, but, you know, all of us have data, can produce data, and if need be in the shorter term, can give it to

you.

MS. COCHRAN: From Cargill, I would say the same thing is true. We've always been, I won't say ready to deliver whatever data you need, but have known that we'll have to believe that we will be able to deliver it. We don't have a vendor system, however, we have our own in- house system that we can manipulate probably to provide whatever is needed.

MR. OKUPSKI: Just to I guess talk about the opposite view, which may be that if each SEF is creating their own UPI, it may not be as easy as we're describing here, so we need that decoder key, right, across SEF's, so that those firms who are processing those trades are able to decode that properly.

Without that, we need to have more of a central authority or governance to understand who is the final authority, who issues that UPI. So one or the other, because, you know, at Market Serve, we're designing systems with UPI's, we're designing systems with LEI's, but there's some

assumptions there that there's going to be a single UPI, or if there's not a single UPI, then that decoder process that needs to take place. So that needs to be flushed out before I think the industry as a whole can say, you know, this is how we determine we want to do it, or an industry gets together and says this is our recommendation back to you. I see the looks over there, so I'll change that up.

MR. DEMARIA: Well, I would kind of dispute what you just said, I don't think any of that counts. Just because market (inaudible) or anybody has a particular UPI, the whole idea of bringing the industry together and agreeing on a standard and agreeing on a process, starting with the ISDA white paper which you have right now, is, everybody would have to conform to it or it's going to be almost impossible at that point, because if everybody goes off and creates their own UPI's, then you're going to need the mapper of all mappers to map all the UPI's together, right.

MS. LEONOVA: So what is your action

plan?

MR. DEMARIA: As I started, I think it's just put a white paper out. We think we need to involve the DPR further and get it -- get the taxonomy done, and then get an RP out, and decide by asset class who's going to generate the UPI's through the DPR technology. I think that's -- that's the strategic solution at the moment. I don't know if somebody has another -- something else they can put on the table quite quickly.

MS. LEONOVA: So they're going back to the discussion of timelines and the level of commitments that industries will willing to give us so we can rely on industry solution rather than going ahead and trying to come up with our own solution, and we still cannot get any credit -- and how, just to give it to you, so all the cards are on the table.

MR. DEMARIA: Well, I mean I think you're asking the right questions. I think the answer the industry needs to come back to you on is, when can we agree the DPR is the right

solution and what is that timeline so we can come back to, and there should be an action on that particular question.

MS. LEONOVA: I would like to open a Q and A session for ISO team members. Bruce.

MR. FEKRAT: I don't know if you're familiar with the large trader reporting system that we want to set up for swaps. I think many of you are because I see the names and I know some of you, as well. But an aspect for -- particularly for uncleared swap transactions, we're collecting or requesting that commodity reference prices be submitted to us. And the process that we're thinking, so we have a standard code that is submitted to us for a commodity reference price, is that they are -- we get a code in that meets whatever parameters we set for it, but we don't recognize it.

So we have to contact the entity that submitted that report and ask them, how are you pricing this particular oil swap, or Palladium swap. And once we get that, we can assign a code

to it, describe what it is, put it on our web site, and every entity from then on would be required to submit a like swap that's priced in the same way with the same commodity reference price, the same -- using the same code. So I wanted to get your thoughts on that and --

MR. TUPPER: I'm happy to entertain this question, I think it relates. The commodity -- just a little background on those commodity price definitions, they're pretty widely used within the commodity markets. ISDA has done a very nice job with the creation of those. We support them. A number of the large dealers and energy companies use them, as well. I think, though, that not everyone uses them. You know, not to keep coming back on this theme, but I think that for your need, you know, the SDR is probably going to have the responsibility to make sure all that data is translated into that industry standard.

You know, not everyone follows those nomenclatures. They have a very specific way of how they mean delivery locations and index

providers. The other little shortfall with the commodity definitions is that they're not probably updated as regularly or there's changes in the market that really, you know, is difficult for those updates to happen as quickly as they need to be.

So what most industry participants will do is, we'll rename it in the same format under fundamental change in the hub or delivery location and then wait for the next update.

In summary, though, I don't think that participants' ability to send you that data in that specific naming, or that reference price, should keep you from receiving what you need. You know, from your perspective, you're not in -- how can I say this the right way, the idea that the data has to be always translated and sent to you in a perfect, you know, package, so to speak, or a standard is probably going to be very difficult for commodities as a whole. It's not a very difficult assignment for a repository to do for you, if that helps.

MR. DEMARIA: I would agree, I would agree with that strongly in a sense they're kind of going around the idea of a repository by doing that.

MS. HOSSEINI: Just to follow up on that, though, one is -- first just a quick question. When you said it's not updated that often, how or what's the timing on --

MR. TUPPER: I think right now we're working off of 2005, you know, so -- but I don't want to -- look, I mean ISDA has taken on a lot of work and there's a lot of things they're doing, and I know commodity price references are probably very important to a certain market, but, you know, it's just taking on a lot of challenges.

I mean updating those things, I would say in fairness to ISDA, they could probably update it annually, but things are going to happen, right, that, you know, they're not going to be able to update that as quickly as you need. Like mentioned earlier, you know, a repository is probably well positioned to do that, and then

around the annual date, when they start collecting the updates and the deletions, you know, that process can be published. And then the whole visit, over time, is reporting -- is mandated that I would say -- the dealers and the large energy companies are very good at adopting it because they can control it, it's trying to get the vendor community on board with adhering to public standards. And I think once those mandates do that, I think you'll see a high level of adoption of these standards.

MS. HOSSEINI: I hear you saying that it'll become more and more standardized with SDR's coming on board, but I mean this rule, one of the main issues with this rule is that it's somewhat of a transitional tool before SDR's are up, so before those are up, do you think that it would be a problem for these smaller entities to adopt the system?

MR. TUPPER: It'll be a challenge, I just don't think that you should have the adoption of these standards; it's going to be a challenge,

just to be honest, yes. So asking all participants to do that is not easy. But I do believe that SDR's will be able to fill that role for you. I know it's coming on board and reporting is, you know, likely to be here soon. I just don't believe -- it's going to be difficult to get all the data in the same exact formats, as you mentioned, like the commodity price references.

MS. LEONOVA: Anymore questions?

MR. SHILTS: There was a, you know, comments earlier about, in terms of sequencing and looking at commodities maybe later, but should we be thinking about commodities broadly or should we be thinking about them maybe subclasses, you know, whether it be energy versus agriculture, metals or anything else?

MR. TUPPER: I'm sorry, I don't mean to -- I think a phased approach is probably one that most dealers will tell you is the best approach. You know, with -- there's certain -- within energies and commodities markets, there's certain

specific, you know, markets within that broad asset class that has larger dealer participation, and I think those are really the ones that are -- lend themselves very well to be the first ones to report.

You know, one comes to mind is the global oil market, it's -- the trading is primarily among large dealers and large energy companies and majors, and they're well positioned to report than maybe some smaller agricultural markets.

MS. LEONOVA: Okay. Before we complete, do any panelists have any burning issues or desires that they want to express before the close? No burning issues? Everybody is happy?

MR. WINN: I wouldn't classify it as a burning issue, but I think that the thing which we're cognizant of is, we're trying to achieve a great deal, and we can achieve quite a lot quite quickly, and therefore, I would urge that we consider the bifurcation of the framework that reports the data that provides you with the

capability to look at the systemic risk components of your obligations versus the component that the price transparency through real time reporting. I think there's a -- a gentleman, I think Bob said, there's a bright line between the two could be drawn.

There's a step that we can -- there are steps that we can take here, and, for me, it's one of the most burning issues. Let's look at this in sequence, it'll give us the capability to give you stuff that's useful for you to use now rather than too much that has to be paused yourself, that's my burning issue.

MR. DEMARIA: I'd only add that something that we think about quite a bit is, there's obviously pressure to get something done; on the other side, just picking up on what Simon said, a year from now we should be sitting here saying we built an industrial strength solution that kind of scales and is a footprint to where we can go forward. So I think finding that balance, and there's a tremendous amount of work to be

done, obviously, is kind of the key thing. It's easy to kind of get, we want to get the standard right, but then there's obviously the pressure of when data has to start being reported to the CFTC, and that balance is probably the trek for everybody, where we're trying to go.

MS. LEONOVA: So we finished 15 minutes early. Brian, Bruce, Ed, Neal, Simon, thank you very much for coming over and spending your time with us, we greatly appreciate it, and we take you at your word that you're going to come up with a solution soon. Thank you very much.

(Whereupon, at 4:49 p.m., the PROCEEDINGS were adjourned.)

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I, Stephen K. Garland, notary public in and for the District of Columbia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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