**Business Justification**

**for the development of new ISO 20022 financial repository items**

1. **Name of the request:**

Central Counterparty (CCP) Supervisory Reporting

1. **Submitting organisation:**

Bank of England

**Sponsoring organisations:**

LCH Limited

ICE Clear Europe Limited

LME Clear Limited

CME Clearing Europe Limited

1. **Scope of the new development:**

Central counterparties (CCPs) are increasing in global systemic importance. The institutions responsible for supervising CCPs require consistent, comprehensive, and granular data to inform supervisory work. This new development of ISO 20022 messages is designed as a first step to meeting that need. This development will also support better CCP policy development in UK, European and international fora. In combination with other data sets, the new development will help provide insights to financial stability.

CCPs are supervised by the Bank of England pursuant to the Financial Services and Markets Act 2000 and the European Regulations on OTC derivatives, central counterparties and trade repositories. The embedded payment systems of certain CCPs are also supervised under the Banking Act 2009.

The scope of the reporting messages will include all currently cleared products for all UK CCPs.[[1]](#footnote-1) The messages and underlying taxonomy will be sufficiently flexible to easily allow the reporting of new cleared products for new or existing CCPs.

The business process in scope is the reporting by CCPs to their National Competent Authority (‘NCA’) of data relevant to the supervisory responsibilities and activities of the NCA.

Relevant data are categorised into the following areas:

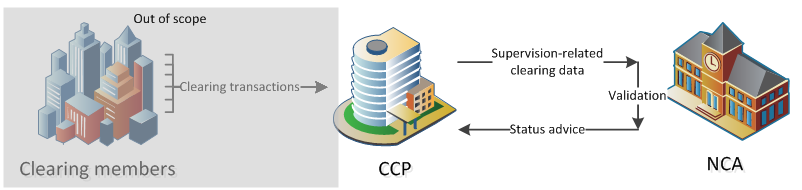
* Income statement and capital adequacy
* Daily cash flows
* Investments
* Liquidity stress testing
* Available financial resources
* Backtesting
* Clearing members
* Default fund
* Member margin and default fund requirements
* Collateral held
* Member margin and default fund payment obligations
* Member positions
* Cleared products
* Interoperability

Based on the scope, the submitting organisation proposes to assign the Securities Standards Evaluation Group(s) (SEG) for the evaluation of the candidate ISO 20022 messages, once developed.

The submitting organisation wants to deploy the future messages in the default ISO 20022 XML syntax only.

The submitting organisation proposes that the set of messages to be developed for CCP supervisory reporting belong to the “auth’ business area.

Information flow



The new message definitions will use the ISO 20022 Business Application Header (BAH) without repeating header elements within the message. Based on the scope, some messages will be used for daily reporting and other messages will be used monthly.

1. **Purpose of the new development:**

The Bank of England has adopted the ISO 20022 standard for the Sterling Money Market Daily reporting obligations and continues to develop its reporting requirements by applying the standard methodology. The existing ISO 20022 messages used for the transmission of information in the clearing business between the CCPs and their members do not correspond to the supervisory reporting requirements but where possible elements of these existing messages will be re-used.

The proposed new messages will use the existing ISO 20022 business concepts and will be registering additional business concepts if required to address these specific requirements. These new messages will bring significant benefits in the processing efficiency and validation of the data collection, and will reduce manual data manipulation and processing for both the Bank of England and for reporting CCPs.

1. **Community of users and benefits:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| User | Benefits/savings | Adoption scenario | Volumes | Sponsors & adopters |
| National Competent Authority (NCA) : Bank of England – Supervision, Policy development and Financial Stability research | Availability of consistent, comprehensive, and granular data to support CCP supervision and policy, and wider financial stability research.  Anonymised aggregated data may be incorporated in to EU / international policy development workstreams that the Bank of England is engaged in. | Initial adoption with candidate messages commencing during Q2 2017.  Final adoption anticipated after approval of the messages by the ISO 20022 Standards Evaluation Group.  Cessation of non ISO 20022 messages after approval and final adoption. | Estimated number of users: Bank of England, four UK CCPs.  Potential number of users: messages could be adopted by other supervisory authorities, but the initial candidate messages will be developed based on the Bank of England requirements.  Expected maximum number of messages per month is approximately 980.[[2]](#footnote-2)  Targeted ‘critical mass’ is adoption by all four UK CCPs. Targeted timeframe is end Q3 2017. | We have a high degree of confidence that the new message set will be adopted by all of the targeted category of users (UK CCPs: LCH Ltd; ICE Clear Europe, LME Clear, CME Clearing Europe). |
| CCPs | Clearly articulated supervisory data requirements designed to be produced automatically and sent to NCA automatically, without recourse to manual work and intervention. | As above. Potential for adoption by NCAs for other CCPs within the same parent group as UK CCPs. No timeline in mind for this scenario. | As above | - |

1. **Timing and development:**

* Date of submission of new candidate ISO 20022 business and message models to the RA: the messages will be submitted soon after the Business Justification approval.
* The submitting organisation will continue to involve three UK CCPs and SWIFT in the development. It will also keep other regulators informed of progress periodically.
* No known standards initiative involved in an effort to address the same requirements.

1. **Commitments of the submitting organisation:**

The submitting organisation confirms that it can and will:

* undertake the development of the candidate ISO 20022 business and message models that it will submit to the RA for compliance review and evaluation. The submission will be compliant with the [ISO 20022 Master Rules](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) and include a draft Part 1 of the Message Definition Report (MDR) compliant with the [template for MDR part 1](http://www.iso20022.org/documents/general/ISO20022_MasterRules.ZIP) provided by the RA, the [ISO 20022 Message Transport Mode](http://www.iso20022.org/documents/general/MessageTransportModes.xls) (MTM) that the submitting organisation recommends to consider with the submitted message set, and examples of valid instances of each candidate message.
* address any queries related to the description of the models and messages as published by the RA on the ISO 20022 website.

The submitting organisation confirms that it will promptly inform the RA about any changes or more accurate information about the number of candidate messages and the timing of their submission to the RA. If the submitting organisation does not submit the candidate messages within the timing announced in section F and does not inform the RA beforehand, the business justification may lapse and require re-submission of a new business justification for approval by the RMG.

The submitting organisation confirms that it intends to organise testing of the candidate messages once they have been reviewed and qualified by the RA and before their submission to the SEG(s) for approval. Testing is expected to start in April 2017 for a period of several months and the candidate messages will be re-submitted to the RA for SEG(s) approval after this test period. The submitting organisation confirms that it will promptly inform the RA about any changes or more accurate information about the timing of this re-submission to the RA. If the submitting organisation does not re-submit the candidate messages as announced and does not inform the RA beforehand, the business justification may lapse and require re-submission of a new business justification for approval by the RMG.

The submitting organisation confirms that it is committed to undertake the future message maintenance.

The submitting organisation confirms its knowledge and acceptance of the ISO 20022 Intellectual Property Rights policy for contributing organisations, as follows.

*“Organizations that contribute information to be incorporated into the ISO 20022 Repository shall keep any Intellectual Property Rights (IPR) they have on this information. A contributing organization warrants that it has sufficient rights on the contributed information to have it published in the ISO 20022 Repository through the ISO 20022 Registration Authority in accordance with the rules set in ISO 20022. To ascertain a widespread, public and uniform use of the ISO 20022 Repository information, the contributing organization grants third parties a non-exclusive, royalty-free licence to use the published information”.*

1. **Contact person:**

Thomas Ferry

Data Analyst, CCP Supervision

Bank of England, 20 Moorgate, London, EC2R 6DA

Tel: +44 (0)20 3461 6779

thomas.ferry@bankofengland.co.uk

1. **Comments from the RMG members and relevant SEG(s) or SubSEG(s) and disposition of comments by the submitting organisation:**
2. **Annex:**

* This document has been amended to include the addition of new area; Interoperability. This new message will allow for the reporting of margin called and collateral from an interoperating CCP on a daily basis.

1. Currently: interest rate products (eg swaps); repurchase agreements; equities (cash and derivative); fixed income; foreign exchange; futures and options (financial and other); commodities (eg metals, energy, softs, agriculturals); credit default swaps. [↑](#footnote-ref-1)
2. Four UK CCPs, each sending approximately twelve daily messages (20 working days per month) and four monthly messages. [↑](#footnote-ref-2)