



**Americans for Financial Reform**  
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## AFSG Comment From Americans for Financial Reform

Americans for Financial Reform (“AFR”) appreciates this opportunity to respond to the Financial Stability Board’s request for comments on its “Feasibility Study on Approaches to Aggregate OTC Derivatives Trade Repository Data”. AFR is a coalition of more than 200 American civil society organizations that have come together to advocate for reform of the financial industry. Members of AFR include major labor, consumer, civil rights, investor, retiree, community, and faith based groups. A list of AFR members is attached and further information on AFR is available at [www.ourfinancialsecurity.org](http://www.ourfinancialsecurity.org).

Improving the transparency of financial risk exposures for both regulators of the system and the broader public is a critical priority for financial reform. The failure of regulators to properly monitor and understand risk exposures, particularly in the derivatives markets, was a major contributor to the global financial crisis. Without developing the capacity to track and monitor financial risk exposures in the global markets, including the possible migration of risk exposures to less regulated ‘shadow banks’, it is difficult to see how financial oversight can possibly be reliable. The aggregation of derivatives data to produce clear and comprehensible metrics of counterparty exposure is central to improved transparency.

Unfortunately, progress on improving this basic element of regulatory capacity has been distressingly slow. Within the United States, regulators have stated that they cannot properly aggregate derivatives exposure data even within the various U.S. dealers and the four U.S. trade repositories.<sup>1</sup> Globally, there are eighteen repositories located in ten different jurisdictions, as well as numerous swap dealers – a challenge far greater than aggregating within a single jurisdiction. As this FSB report admits frankly, “global and comprehensive data aggregation is not possible under current arrangements”. The recent senior supervisor’s report showing that many major global banks are unable to aggregate even their own major counterparty exposures makes it clear that the inability to produce accurate, reliable, aggregated exposure data creates fundamental risk management problems across the financial system that must be addressed.<sup>2</sup>

It is remarkable that in August, 2008 representatives of the major banks laid out best practices goals that included the capacity to track and aggregate the prior day’s risk exposures ‘within a matter of hours’, yet more than five years later we remain so far from that goal.<sup>3</sup> In light of the importance of this issue and the extraordinarily slow progress achieved to date, AFR believes that the status quo is unacceptable. This implies that Option 3 in this document – which relies on

<sup>1</sup> Osipovich, Alexander, “[CFTC Has ‘Turned the Corner’ On Swaps Data Mess, Says O’Malia](#)”, Energy Risk, February 7, 2014.

<sup>2</sup> Senior Supervisors Group, “[Progress Report on Counterparty Data](#)”, January 15, 2014.

<sup>3</sup> Counterparty Risk Management Group, “[Containing Systemic Risk: The Road to Reform](#)”, Report of the CRMPG III, August 6, 2008.

the current status quo of individual national regulatory authorities working with trade repositories and then sharing the results on a regulator-to-regulator basis – must be rejected by the FSB. Continuing with the system described in Option 3 promises only to perpetuate the unacceptably slow pace of progress observed since the financial crisis.

If the FSB rejects Option 3, as it should, this leaves the choice between proceeding with further examination of Option 1 or Option 2. Option 1 involves a data center where all global derivatives data is physically stored for aggregation and reporting. Option 2 would be similar to Option 1, except that the data center would be ‘virtual’ – rather than physically storing the data, it would be accessed through requests to trade repositories all over the globe. The issues involving aggregation of the data once accessed appear to be similar between the two options, but the options differ in terms of data availability.

The report does not contain sufficient information for us to fully assess the strengths and weaknesses of the two options. Much depends on the reliability of access to remote data that is not physically stored at the data center location. If the availability of such data can be made truly reliable at a low investment in time and effort, then Option 2 is feasible. Otherwise, Option 1 appears superior. This seems to be an involved technological question that will require substantial engagement with information technology experts to determine. We suggest that the FSB continue to explore both options until a definitive assessment can be made.

However, we would suggest that the FSB be guided by two broad priorities in making its decision:

- 1) First, the lines of authority and responsibility should be clear. A governance structure should be set up that creates a single entity responsible for implementing an aggregation mechanism that can produce derivatives exposure data on demand and reliably. Obviously such an entity will need input and oversight by an international group. But a single entity involving a limited group of participants should be given clear authority and responsibility for success in this important effort.
- 2) Second, the FSB should be guided by the need to implement a genuinely reliable aggregation mechanism as rapidly as possible. The aggregation capacities of the mechanism should be completely tested within a reasonable timeline, and the ability to aggregate should be reliable and not vulnerable to technical differences between local trade repositories.

A single public entity appears to be a better governance structure for establishing clear lines of authority and responsibility described above. For this reason, AFR would favor a governance structure similar to the ‘international data hub’ (described in Box 3 on p. 27 of the report) rather than a public/private partnership with multiple tiers such as the governance mechanism for the global LEI project. It should be remembered that the global LEI project involved promulgating a data standard rather than the actual gathering and analysis of large amounts of data. This is quite different than the challenge involved in derivatives data aggregation.

Finally, putting a high priority on reliability and speed of implementation may call for centralizing actual data storage, along the lines of Option 1. If remote access such as Option 2 is chosen, an extensive testing regime will be required to ensure that all significant aggregation scenarios are adequately tested and the mechanism can properly access and analyze data from all global trade repositories. Such tests would have to be repeated periodically to determine if technical changes at the trade repository level had made it more difficult to access or aggregate data. If the full universe of derivatives data is routinely transferred to a single location, as in Option 1, it may prove to be easier to see any issues arising from technical differences between repositories or national data infrastructures. However, as noted above, the technical issues involved in the choice here are complex and it would be appropriate for the FSB to continue to explore both options with information technology experts.

Thank you for the opportunity to comment on this consultative paper. Should you have additional questions, please contact Marcus Stanley, AFR's Policy Director, at [marcus@ourfinancialsecurity.org](mailto:marcus@ourfinancialsecurity.org) or (202) 466-3672.

**Following are the partners of Americans for Financial Reform.**

*All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.*

- AARP (American Association of Retired Persons)
- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Center for Effective Government
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Green America

- Greenlining Institute
- Good Business International
- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Home Defender's League
- Information Press
- Institute for Agriculture and Trade Policy
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lawyers' Committee for Civil Rights Under Law
- Main Street Alliance
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen

- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

*List of State and Local Partners*

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio

- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN

- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- New Yorkers for Responsible Lending
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG

- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

*Small Businesses*

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- UNET