



Smart Vocabulary for Financial Stability Board Common Data Templates

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Background

About FSB

- [Financial Stability Board](#) (FSB) was established to address vulnerabilities in global financial markets, bring together international groups of regulators, supervisors and committees of central bank experts responsible for financial stability
- In October 2011, FSB published a consultative [Document](#) *Understanding Financial Linkages: A Common Data Template for Global Systemically Important Banks (G-SIBs)*
- Following the 'Data Gaps' workshop in May 2012, FSB asked the financial services community to provide comments *on a set of options and proposals to improve the data on linkages between global systemically important banks and on their exposures and funding dependencies*

Industry Response

- Global Financial Markets Association ([GFMA](#)) is coordinating the industry response on issues such as governance, confidentiality of data, standardization of data definitions, cost/benefits, frequency of reporting, and harmonization with similar efforts such as [COREP](#) from European Banking Authority ([EBA](#))

Background

An overview of the types of information in the proposed data templates

http://www.financialstabilityboard.org/publications/r_111006.pdf

Institution-to-institution	Institution-to-aggregate	Structural and Systemic importance	Passive and Ad-hoc data
Bilateral credit exposures & funding dependencies to assess network risks and resilience	Credit exposures & funding dependencies to countries, sectors and markets to understand risk concentrations and vulnerabilities	Information to facilitate the assessment of systemic importance, and support crisis management	Predefined data “on-request” and “ad-hoc” requests to meet increased information needs to assess emerging systemic risk

Current Time line

- Design of the Institution to Institution data template is due by end of 2012 with monthly reporting starting in Q1, 2013; rest of the templates between 2013-2015, details being worked out

Drive for industry standards, emphasis on data definitions and quality

- In one of the trade associations’ [response](#) to FSB (quote below), standardization of data definitions was emphasized to improve the quality of the data to be collected by FSB
 - Standardize the definitions, where possible, of the data already collected or soon to be collected through other initiatives. Data definitions can vary across jurisdictions, markets, and even firms. Often different government bodies within a single country or region have different data specifications for similar data. *Standardization is a “win-win” step, although surprisingly, there is little attention paid to this issue*

What should OMG Finance Task Force do?

- Discussions with GFMA participants identified the need to provide a vocabulary of data elements requested in the FSB templates
- Working with partners, FDTF has an opportunity to:
 - Conduct gap analysis of current counterparty exposure report with the Top 50 report FSB is asking for
 - Support alignment of the FSB effort with European Banking Authority ([EBA](#)) Common Reporting ([COREP](#)) effort
 - Identify granular data elements that are used in the aggregate concepts in the FSB templates
 - Document definitions of the concepts and key business rules used in FSB templates
 - Showcase Smart Vocabulary (see slide 8-9 for examples) capability to demonstrate how we can add value to the GFMA coordinated effort

Logistics/next steps

- Organize follow-up calls with FDTF-EDMC members to seek broader interest in the proposed deliverable (industry standard vocabulary for the FSB templates)
- Communicate our collective interest in working with GFMA proposed Industry Advisory Group to provide an industry standard vocabulary for the templates
- Establish a work stream lead by business SMEs to document the data elements required and develop a vocabulary
- Evaluate how the EDMC-FDTF Financial Services Ontology (FIBO) standard can support the proposed vocabulary
 - Plan to update the FIBO standard (FIBO release 2.0? - support for FSB Common Data Templates)

Appendix

Smart Vocabulary example

interest leg *pays interest on* notional amount of contract

IR swap

Noun concept

Verb concept

Synonym: interest rate swap

Synonym: IR swap contract

Synonym: IR swap agreement

Definition: swap *that has an* interest rate *that is exchanged for another* interest rate

Dictionary basis An agreement to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another.

Source: www2.isda.org/functional-areas/research/Glossary/#i

Industry standard definition that has been formalized

IR swap *has* interest leg

Verb concept

Necessity: *Each* IR swap *has exactly two* interest legs

Necessity: *Each* IR swap *has at least one* floating interest leg

Definitional business rules

vanilla IR swap

Noun concept

Definition: IR swap *that has a* fixed interest leg *that has the* currency of the floating interest leg *of the* IR swap

Smart Rulebook Entries

Regulation

A swap dealer can rely on the written representations of a counterparty to satisfy its due diligence requirements under the business conduct standards ...

CFTC: Federal Register / Vol. 77, No. 33 / Friday, February 17, 2012 / Rules and Regulations [page 9792]

SBVR Vocabulary (of some swap dealer)

Example Business Policy:

Each swap that falls under the new CFTC business conduct rules *must be transacted under an ISDA master agreement that includes* all due diligence representations required to satisfy CFTC.

Example Business Rules that partly implement the policy:

Each swap transaction that *is initiated after April 17 2012* *must be transacted under an ISDA master agreement*.

Each end user swap transaction that *is initiated after April 17 2012* *must be transacted under an ISDA master agreement that has a schedule that includes a representation of eligibility that is for the end user counterparty of the ISDA master agreement*.