CFTC Regulation 23.105(k) – Monthly and Quarterly Capital Data Reporting Requirements for Covered Swap Dealers Using Market and/or Credit Risk Models

On July 22, 2020, the CFTC adopted final capital requirements for swap dealers (SDs) (CFTC Capital Rules) which allow SDs to calculate market and credit risk exposure requirements using either standardized capital charges or internal capital models that have been approved by the CFTC or NFA.

In accordance with CFTC Regulation 23.105(k), SDs using models to calculate market and credit risk exposures for computing capital charges (including models that have been approved or have an approval application pending) are required to file certain information with the CFTC and NFA on a monthly and quarterly basis.

This User Guide provides instructions on what specific data must be filed and the format in which it must be filed.

Contents

1. Reporting Requirements

NFA Notice I-21-29 provides detailed information related to reporting requirements and the firm population required to report. Unless otherwise stated:

- All data must be reported in USD at the individual SD registrant level.
- SDs must report all applicable information (e.g., an SD would only be required to provide data for MPE Model Backtesting Results if they had an approved MPE model).
- Rows of data must be complete, unless otherwise indicated. If a row contains an entry in any of the fields, the entire row must be completed. Rows for sections that are not applicable to an SD can, however, be left blank (e.g., if an SD has no Equity market risk deductions calculated other than with an approved internal model, that field would be left blank).

2. Required Capital Data

a. Market risk deductions calculated other than with an approved internal model (23.105(k)(1)(i))

- Product Category
    - Reflects the five asset classes that all calculated market risk deductions will fall into (Commodity, Credit, Equity, Foreign Exchange, Interest Rate). There is also a residual "Other" category to capture all securitized products. In case of hybrid products, the SD must choose the asset class that is most appropriate based on the prevailing risk factors. In any case, NFA expects products to be categorized consistently over time across submissions.

- Product Type
    - Internal product types will be classified as Linear or Nonlinear depending on the prevailing risk factors and payoff. Securitization products will have their own product type.

- Deduction (in USD)
    - The amount of the market risk deduction for each product and rounded to the nearest whole dollar.

Market risk deductions calculated other than with an approved internal model		
Product Category	**Product Type**	**Deduction (in USD)**
Equity	Linear	
Equity	Nonlinear	
Commodity	Linear	
Commodity	Nonlinear	
Interest Rate	Linear	
Interest Rate	Nonlinear	
Foreign Exchange	Linear	
Foreign Exchange	Nonlinear	
Credit	Linear	
Credit	Nonlinear	
Other	Securitization	

b. Market risk deductions calculated using scenario analysis (23.105(k)(1)(iv))

- Product Category
    - Reflects five asset classes that all calculated market risk deductions will fall into (Commodity, Credit, Equity, Foreign Exchange, Interest Rate). There is also a residual "Other" category to capture all securitized products. In case of hybrid products, the SD must choose the asset class that is most appropriate based on the prevailing risk factors. In any case, NFA expects products to be categorized consistently over time across submissions.

- Product Type
    - Internal product types will be classified as Linear or Nonlinear depending on the prevailing risk factors and payoff. Securitization products will have their own product type.

- Deduction (in USD)

    - The amount of the market risk deduction for each product, calculated in USD and rounded to the nearest whole dollar.

Market risk deductions where scenario analysis is used		
Product Category	Product Type	Deduction (in USD)
Equity	Linear	
Equity	Nonlinear	
Commodity	Linear	
Commodity	Nonlinear	
Interest Rate	Linear	
Interest Rate	Nonlinear	
Foreign Exchange	Linear	
Foreign Exchange	Nonlinear	
Credit	Linear	
Credit	Nonlinear	
Other	Securitization	

c. Daily intra-month aggregate VaR (23.105(k)(1)(ii)-(iii))[1]

- Date (entered in YYYY-MM-DD format)

    Represents each business day of the applicable calendar month for the SD. Dates where the SD does not operate, such as holidays, should not be included.

- Aggregate VaR (in USD)
    - Represents the calculated regulatory VaR, aggregated over all applicable business lines at the individual SD registrant level, in US dollars (one-tailed, 99%, 10-day)[2] for the applicable business, taking the diversification benefit into account.

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[1] NFA accepts the Daily Intra-month VaR Calculations Submission Table to satisfy both CFTC Rules 23.105(k)(1)(ii) and 23.105(k)(1)(iii). Firms will not be required to submit additional information per business line.

[2] As specified in Appendix A to Subpart E of Part 23 – Section (i)(2)

- Additional Information
  - This field can be used by the SD to notify NFA of any noteworthy information, such as an explanation on a large day-over-day increase. This field may be left blank if there is no information to report.

Daily intra-month VaR calculations		
Date	**Aggregate VaR (in USD)**	**Additional Information**
YYYY-MM-DD		
YYYY-MM-DD		
…		

d. Commitments (23.105(k)(v)(C))

- Counterparty Name
  - Represents the counterparty's legal name.

- Counterparty LEI or PLI
  - The legal entity identifier (LEI) or privacy law identifier (PLI) for the applicable counterparty.

- Commitment Type (dropdown field)
  - Contains commitments as defined by the SEC[3] and an option for "Other" if the applicable commitment does not fall into one of the dropdown categories.
    - Underwriting
    - When issued, when distributed, and delayed delivery contracts
    - The writing or endorsement of puts and calls and combinations thereof
    - Commitments in foreign currencies
    - Spot (cash) commodities contracts, excluding uncleared regular way purchases and sales of securities and contracts in commodities futures
    - Other

- Market Value (in USD)
  - The market value of the commitment in US dollars rounded to the nearest whole dollar.

Commitment			
Counterparty Name	**Counterparty LEI or PLI**	**Commitment Type[4]**	**Market Value (in USD)**

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[3] SEC rule 17 CFR 240.15c3-1: "(4) The term contractual commitments shall include underwriting, when issued, when distributed and delayed delivery contracts, the writing or endorsement of puts and calls and combinations thereof, commitments in foreign currencies, and spot (cash) commodities contracts, but shall not include uncleared regular way purchases and sales of securities and contracts in commodities futures. A series of contracts of purchase or sale of the same security conditioned, if at all, only upon issuance may be treated as an individual commitment."

[4] See footnote 2.

e. Backtesting summary (23.105(k)(2)(i))

VaR, Specific Risk, and MPE models

- Backtesting as-of Date (entered in YYYY-MM-DD format)
    - The date as of which the SD conducted the backtesting exercise.

- Statistical Framework
    - The statistical framework implemented to assess the performance of the model (e.g., Basel Traffic Light (BTL) Test framework).

- Additional Information (free-text field)
    - Provide any additional information regarding the model backtesting, such as operational issues, data issues, onboarding and termination of new products and counterparties. This field may be left blank if there is no information to report.

Model Backtesting Summary		
Backtesting as-of Date	**Statistical Framework**	**Additional information**
YYYY-MM-DD		

f. Backtesting details (23.105(k)(2)(ii))

VaR, Specific Risk, and MPE models

- Starting Date (entered in YYYY-MM-DD format)
    - The first date of the backtesting period, which is expected to be 250 business days, or other period as may be appropriate for the first year of the model's use.

- Ending Date (entered in YYYY-MM-DD format)
    - The last date of the backtesting period, which is expected to be 250 business days, or other period as may be appropriate for the first year of the model's use.

- Coverage Ratio
    - Decimal number between 0 and 1 and rounded to the nearest hundredth place, reflecting the proportion of transactions in the SD's portfolio that are covered in the backtesting exercise (e.g., 0.975 if 97.5 percent of transactions were covered in the backtesting exercise).

- Number of Observations
    - The number of business days during the backtesting period, where the model calculated risk amount was compared to that day's realized outcome (e.g., profit or loss).

- Gain/Loss Side[5]
  - Number of Exceedances
    - The number of days where the realized outcome exceeded the model's calculated risk amount.

  - Backtesting Conclusion
    - The result of the backtesting exercise (e.g., Red/Amber/Green under the BTL Test).

  - Shortfall (in USD)
    - The least extra dollar amount required to be added to each business day's model calculated risk amount for the backtesting result against realized outcomes to become satisfactory from an unsatisfactory backtesting result (e.g., to Green for a portfolio in the Amber or Red in the case of BTL Test).

  - Analysis of Deteriorated Performance (free-text field)
    - Explain the drivers of the deteriorated model performance in backtesting, if the backtesting conclusion has moved to an unsatisfactory conclusion (e.g., to the Amber or Red category under BTL Test).

VaR/Specific Risk Model Backtesting Results								
Starting Date	Ending Date	Coverage Ratio	Observations	Loss Side				Gain Side[6]
				Exceedances	Conclusion	Shortfall	Analysis	...
YYYY-MM-DD	YYYY-MM-DD							

MPE only

Please note that the SD must provide the following additional MPE information for the 80 poorest performing counterparty portfolios, or the entire population of portfolios if the SD has fewer than 80[7]. The portfolios should be first ranked by the shortfall amounts from high to low, among those portfolios that produced unsatisfactory backtesting conclusions (e.g., Amber or Red under BTL Test), if any. For well-performing (e.g., Green under BTL Test) portfolios, provide the portfolios ranked by number of exceedances. If the number of

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[5] For VaR models, backtesting will include results for both the Gain and Loss sides to satisfy model performance oversight requirements. MPE model backtesting will only include results for the Gain side. Specific Risk model backtesting will only include results for the Loss side.

[6] The Gain side reflects the same fields listed for the Loss side (Number of Exceedances, Backtesting Conclusion, Shortfall (in USD), Analysis of Deteriorated Performance).

[7] In accordance with Appendix A to Subpart E of Part 23 – Section (i)(1)(iv)(A).

exceedances is equal, provide the portfolios ranked by dollar value of the maximum exceedances.

- Counterparty Name
  - The counterparty's legal name.

- Counterparty LEI or PLI
  - The LEI or PLI or the applicable counterparty.

- Netting Set or Portfolio ID
  - Information to be provided if the SD conducts backtesting at the netting set level. The SD should populate this field with its internal netting set ID or portfolio ID for each counterparty portfolio.

- Internal Credit Rating
  - The SD's internally used credit rating for the reported counterparty.

MPE Model Backtesting Results								Gain Side				
CP Name	LEI/PLI	Netting Set ID	Internal Credit Rating	Starting Date	Ending Date	Coverage Ratio	# Observations	# Exceedances	Conclusion	Shortfall (in SD)	Analysis
				YYYY-MM-DD	YYYY-MM-DD						

3. 23.105(k) Reporting Requirements Submission Dates

The 23.105(k) Market/Credit Risk Report must report the above information as of the last business day of the reporting month (or quarter, for the 23.105(k) Quarterly Backtesting Results). The data must be filed by the 17th business day of the following month (or quarter, for backtesting data).

If you have any questions on these requirements, please contact George O'Donnell, Senior Risk Analyst II (godonnell@nfa.futures.org or 212-513-6070), or Alessandra Riccardi, Managing Director (ariccardi@nfa.futures.org or 212-513-6029).