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CPMI Secretariat

Via e-mail: [cpmi@bis.org](mailto:cpmi@bis.org)

IOSCO Secretariat

Via e-mail: [uti@iosco.org](mailto:uti@iosco.org)

## Re: Harmonisation of the Unique Transaction Identifier – Consultative Report

The International Swaps and Derivatives Association, Inc. (“ISDA”), the Institute of International Finance, The Investment Association, and the Securities Industry and Financial Markets Association (the “Associations”) appreciate the opportunity to provide the Committee on Payments and Market Infrastructures (“CPMI”) and the Board of the International Organization of Securities Commissions (“IOSCO”) with comments in response to the Consultative Report referenced above (the “**Consultative Report**”).

The Associations are strong proponents of global data harmonization, individually and collectively working in tandem with their members and other buy- and sell-side market participants and market infrastructure providers to promote the important role of global standards in improving data quality and increasing the efficiency and value of reporting and other global regulatory requirements. We are supportive of the initiatives undertaken by the Working Group for the harmonization of key OTC derivatives data elements (the “Harmonisation Group”), beginning with its efforts to develop guidance for a uniform global Unique Transaction Identifier (“UTI”).

Beginning with the reporting regulations promulgated by the Commodity Futures Trading Commission (“CFTC”), ISDA understood the value of consistent use and application of a trade identifier, working with industry participants to develop practices pertaining to Unique Swap Identifiers (“USI”)¹. ISDA anticipated the necessity of a global trade identifier (rather than jurisdictional ones), and has attempted to convince regulators to adopt an approach to creating a UTI value that would be globally extensible. In the absence of a UTI standard endorsed by global regulators, ISDA worked with its members and the broader OTC derivatives industry to develop an approach to the generation, communication and matching of UTI² (the “ISDA UTI standard”). The ISDA UTI standard has been widely implemented and used by market participants while meeting their regulatory reporting requirements, and accepted by various regulators globally. However, absent official endorsement of the ISDA UTI standard or

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<sup>1</sup> ISDA, *Unique Swap Identifier (USI): An Overview Document* ( 2013 November 18).

<http://www2.isda.org/attachment/NjcxNg==/ISDA%20USI%20Overview%20Paper%20updated%202013%20Nov%2018%20v8%20clean.pdf>

<sup>2</sup> ISDA, *Unique Trade Identifier (UTI): Generation, Communication and Matching* (July 20, 2015)

[http://www2.isda.org/attachment/NzczMg==/2015%20July%2020%20UTI%20Best%20Practice%20v11.6\\_final.pdf](http://www2.isda.org/attachment/NzczMg==/2015%20July%2020%20UTI%20Best%20Practice%20v11.6_final.pdf)

requirements from global regulators for parties to use a consistent trade identifier value for reporting cross-jurisdictionally, it is not possible to have a complete and consistent take-up by the parties reporting derivatives transactions globally. Therefore, we appreciate the efforts of the Harmonisation Group to recommend a standard for UTI that can be adopted by regulators globally for uniform implementation and application.

## 1 Preface

### ***Primary purpose of UTI***

While composing the Associations' response to the Consultative Report, our respective members focused on the fundamental business use of the UTI. The responses provided in this document therefore reflect our view that the primary purpose of the UTI is to uniquely identify a trade across different jurisdictions throughout the trade lifecycle. We therefore do not support imbedding the UTI with or deriving the UTI from transactional data that is separately reported. Nor do we think that the UTI itself should be used to validate a party to the transaction or contain data to link related transactions. Any such use is duplicative and would add to the complexity of generating a UTI, increasing the chance for error or unintended interpretations derived from the UTI.

### ***Integrity of UTI***

A UTI should be created and persist for each separate and legally binding transaction between counterparties. Acknowledging the need to separately address challenges associated with reporting and UTI generation for complex, combination and package trades addressed elsewhere in this response, we believe it is important for the UTI guidance issued by the Harmonisation Group to explicitly provide for regulators to apply UTI only to each transaction and the corresponding counterparties in a way that aligns with the risk systems of such participants. Certain derivatives transaction flows may involve multiple parties and related off-setting or complementary transactions. A UTI should always and only be created to uniquely represent each such transaction and any reporting for such UTI should always bear the same set of counterparties. Please see our response regarding clearing transactions and prime brokerage transactions for examples and further explanation of why clear guidance is required with respect to UTI integrity.

### ***Universal UTI exchange***

As a matter of market practice, we believe that parties engaging in OTC derivatives transactions and the associated market infrastructure providers should create, exchange and retain a global UTI for all such transactions without regard to whether each transaction is currently subject to a reporting obligation by either party in any jurisdiction. The responsibility for UTI creation should follow the same CPMI-IOSCO guidance as if there was a reporting obligation.

UTIs are a valuable reference tool for market participants for other regulatory requirements (e.g. portfolio reconciliation) as well as for non-regulatory internal and bilateral post-trade reconciliation, communication and processes. Just as a Legal Entity Identifier (LEI) provides parties with certainty regarding the legal entities to their risk, UTIs are used (and should more universally be used) to provide certainty to market participants regarding their universe of mutual transactions. The availability of a UTI

in all cases facilitates communication regarding the relevant transaction and resolution of any related issues (e.g. confirmation discrepancies) by allowing the parties to refer to a single, mutually understood transaction identifier, rather than having to exchange transaction details or their respective internal trade identifiers. Although we realize that individual regulators may not be able to compel the parties to create and exchange UTI for derivatives transactions that do not fall within their oversight, we suggest that the Harmonisation Group can assist with establishing the validity of this market practice and the broader and synchronized use of UTIs by including these principles in its recommendations.

### ***Substituted compliance***

Although we acknowledge that it is beyond the scope of the Consultative Report, the Harmonisation Group is comprised of representatives from key regulatory bodies that have the authority to issue substituted compliance for derivatives transaction reporting. Despite such authority, there have been very few substituted compliance determinations to date. Multi-jurisdictional reporting of the same transaction by more than one party is one of the primary complicating factors for UTI generation, especially to the extent that UTI requirements conflict across those jurisdictions. This goes directly against the principle of consistency as outlined in the Consultative Report.

Notwithstanding our recommendation above regarding the universal exchange of UTI, if a single party can meet the global reporting obligations of both parties by reporting the transaction in its primary jurisdiction and applying available substituted compliance determinations for other jurisdictions, this eliminates the challenge of agreeing which party generates UTI and the need to exchange the UTI in an expedited timeframe. Substituted compliance is key to reducing the complexity and improving the efficiency of reporting, including UTI generation. We encourage the regulators participating in the Harmonisation Group to decrease the complexity of global data standardization by increasing the ability for parties to comply via substituted compliance.

### ***Principles of UTI***

Section 2 of the Consultative Report suggests characteristics which may be relevant to UTI. We generally concur with the principles in this section of the Consultative Report, but note the following:

#### 2.1 – Neutrality

- We agree that a UTI value should be neutral. Jurisdiction-specific values are, by nature, inherently unworkable for a global solution, as evidenced by the challenges of (i) determining whether a CFTC-specific USI can be reused globally as a UTI and (ii) creating a globally extensible UTI while respecting the jurisdiction-specific UTI prefix provided in the Q&A<sup>3</sup> (the “ESMA Q&A”) issued by the European Securities and Markets Authority (“ESMA”) for reporting under the European Market Infrastructure Regulation (“EMIR”).
- We note, however, that with respect to whether, when and which party generates a UTI, the parties must give consideration to their relevant regulatory obligations in order to ensure their ability to comply. Such considerations may factor into bilateral agreements to agree which party will generate the UTI, as further discussed in our response to question 16.

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<sup>3</sup> *Questions and Answers, Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)*, p 75, (27 April 2015). [http://www.esma.europa.eu/system/files/2015\\_775\\_qa\\_xii\\_on\\_emir\\_implementation\\_april\\_2015.pdf](http://www.esma.europa.eu/system/files/2015_775_qa_xii_on_emir_implementation_april_2015.pdf)

#### 2.4 – Persistence.

- We agree that a transaction should keep the same UTI throughout its lifetime.
- We also agree that a common approach to the circumstances in which a new UTI is generated is important to preserving the integrity of the reported data.
- However, we do not agree entirely with the analysis in the section 8 “Table of lifecycle events that could affect the UTI”. Please see our response to question 8.

#### 2.8 – Respecting existing UTIs

- We agree that any recommendations made by the Harmonisation Group should be adopted by regulators on a going-forward basis. The UTI for historical trades should not be required to be updated in reported data as doing so is not systematically feasible for either market participants or trade repositories (“TRs”). Further, a lifecycle event on a trade which was reported prior to the requirement to adopt any new approach to UTI as a result of this consultation should not require the parties to replace the existing UTI either. Only lifecycle events that result in a new transaction(s) which need separate UTIs should be created in accordance with the new approach. We request that the Harmonisation Group’s guidance be explicit on this point to prevent any differences in the associated requirements promulgated by various regulators.
- Potential conflicts with existing USI or UTI generated subject to regulator-specific requirements or the ISDA UTI standard can be avoided by incorporating checks into the new process to identify any potential clash. ISDA did this when creating the algorithm for [UTIPrefix.org](http://www.utiprefix.org)<sup>4</sup>, which checks for any UTI prefix clash against the CFTC USI namespace, the UTI prefix method described in the ESMA Q&A and UTI prefixes resulting from ISDA’s previous UTI prefix approach.
- If market participants did not follow either a regulator-specific standard or the ISDA UTI standard, then an additional potential for clash exists. We are unaware of any existing UTI clashes based on the use of current industry practices.
- We agree with the view stated in the Consultative Report that backward compatibility between existing UTIs and UTIs which may be generated in accordance with the approach recommended a result of this consultation is important to maintaining the uniqueness of UTIs reported globally. UTIs produced in accordance with the guidance issued by the Harmonisation Group should aim to avoid any potential clashes with existing UTI that have been produced in accordance with jurisdiction-specific methods or the ISDA UTI standard which has been used widely in the industry in the absence of a global regulatory standard.
- The most reliable way to ensure a high level of backward compatibility is for the Harmonisation Group to adopt the predominant and preeminent existing industry standard as its own. ISDA’s [UTIPrefix.org](http://www.utiprefix.org) is a reliable means for parties that are required to generate UTIs to obtain a unique UTI prefix that has robust built in checks for conflict with both jurisdictional specific USI or UTI prefix requirements and a preceding approach to UTI prefix that has been or is still used by some parties (i.e. characters 7-16 of the LEI). Provided the concatenated transaction identifier is unique to the firm, this ensures uniqueness of the overall UTI. See our responses to

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<sup>4</sup> <http://www.utiprefix.org>

the questions in section H of the Consultative Report for further details of our recommendations regarding the UTI construct.

#### 2.12 – Potential Characteristic: Anonymity

- A party-specific prefix is the most logical and straightforward approach to ensuring UTI uniqueness. Any other approach unjustifiably complicates UTI generation.
- Though a reasonable concern for global data aggregation for regulatory use, the necessity to avoid any ability for the party which generated the UTI to be inferred from the UTI would eliminate use of the LEI, a value derived from the LEI (such as the method available via UTIPrefix.org), or any other existing or new party-specific value as a UTI Prefix.
- Even if a party-specific UTI prefix it is not based on an existing party identifier, it would be difficult to keep a new party UTI prefix value entirely anonymous as over time such prefix would become known by market participants receiving the UTI from their counterparties. A regulator that received reports from a party under its oversight could also decode the party and UTI prefix pairing.
- Preserving the anonymity of the participants to derivatives transactions is extremely important. Therefore, UTI should not be included in any transparency reporting made available to the public from which parties might infer information regarding the relevant transaction or its participants.
- A global UTI is a valuable tool for identifying and eliminating duplicate reporting in an analysis of aggregated data. If anonymity amongst regulators regarding the identity of the UTI generating party remains a concern, TRs or an aggregator of TR data which is ultimately responsible for providing aggregated data for regulatory use could be tasked with eliminating any duplicates. That way the UTI would not have to be included in the aggregated data provided to global regulators.

#### ***Implementation and transition***

We recognize that the role of the Harmonisation Group is to issue guidance with respect to UTI and that each regulator may need to amend their rules or take other steps to implement the recommendations in their jurisdiction(s). Regardless of such separate dependencies, it is imperative that a global transition be coordinated. It would be inefficient and extremely challenging to implement a new UTI approach on separate dates for different jurisdictions. Fragmented adoption would negatively impact the ability of global regulators to aggregate or analyze data via the new UTIs.

It is worth noting that the Australian Securities and Investments Commission (ASIC) has just aligned its date for requiring a shared UTI in reporting with the February 1, 2016 deadline provided in the regulations of the Monetary Authority of Singapore (MAS) and the Hong Kong Monetary Authority (HKMA) in order to allow the industry to prepare in a more operationally efficient and coordinated manner. So a precedent exists for regulatory coordination on compliance dates for UTI.

In addition to the timing of a transition to a new approach to UTI, it is absolutely critical that all regulators implement and translate the guidance into their rules consistently (and even identically if possible). To have to deal with inconsistent national implementation of global recommendations would be inefficient, challenging and could undermine the availability of a globally consistent UTI for each derivative transaction.

If the global UTI guidance issued by CPMI-IOSCO correlates closely with the ISDA UTI standard, then such transition would be limited to UTI generation (i) for jurisdictions which currently have a specific UTI format requirement that would be superseded and (ii) by parties that are not currently following the ISDA UTI standard. If the Harmonisation Group's approach to UTI is significantly different from current industry builds, then a global transition will need to be carefully coordinated that takes into consideration the timeframes to make necessary changes to the systems of all parties that would generate UTI as well as the systems of all market infrastructure providers (including TRs, confirmation platforms, affirmation platforms, middleware providers and execution platforms) so they can accept and communicate the UTI values.

### ***Cost and benefit***

In addition to easing the implementation and transition, adoption of the ISDA UTI standard would greatly reduce the cost of industry compliance with the guidance issued by the Harmonisation Group and global regulators. Market participants took initiative in absence of a global regulatory standard for UTI and invested in solutions for UTI generation and communication because they understood the intrinsic benefit. Those solutions should be leveraged to the greatest extent in order to limit the cost associated with industry build and transition to an entirely different approach, especially if there is not a substantial argument that can be made for why the existing industry standard cannot be endorsed and applied.

### ***Beyond OTC Derivatives***

Although this Consultative Report is specific to OTC derivatives, the principles of harmonizing data standards have broader industry application, including in Exchange Traded Derivatives ("ETD") and securities financing transactions. Although key principles and benefits may align, the solutions recommended by the Harmonisation Group with respect to OTC derivatives may not be appropriate for other areas of the financial industry and will require separate consideration by regulators and market participants. Extending solutions designed for improving data quality for derivatives onto other areas of the market could be counterproductive, undermining the quality of data in those areas by artificially forcing it to look or act like derivatives data.

We request that the Harmonisation Group provide explicit direction in its UTI guidance that its application is limited to OTC derivatives and provide that regulators should not extend the principles and solutions to ETD, secured financing transactions or other segments of the financial industry without separate analysis and industry consultation regarding solutions that may be more appropriate. If a single method can be satisfactorily applied to various segments of the market, we are in support of such harmonisation. But harmonisation should not be achieved at the cost of misrepresenting or underserving any particular segment by not considering its unique purposes, challenges and market standards.

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## 2 Responses to Consultation Questions

### A. Reportable Transactions

1. **Are there jurisdictional differences about what is a reportable transaction that respondents believe will cause challenges for UTI generation? Please describe the differences and challenges.**

Jurisdictional differences that factor into UTI generation include the below.

#### *Asset class or product scope*

Which OTC derivatives transactions are subject to reporting (and therefore need a UTI) varies between and within jurisdictions.

- This includes both asset class distinctions and product distinctions.
- These differences are due to the products which fall under a particular regulator's oversight (e.g. swap (CFTC) vs. security-based swap (Securities and Exchange Commission (SEC)), differences in which products are defined as reportable "derivatives", distinctions in available exemptions from reporting (e.g. commercial purposes exemption for physically settled commodities, foreign exchange ("FX") transactions related to a security trade), or differences in the compliance date for reporting certain asset classes, products or by certain participants (e.g. Phase 3A entities in Australia for FX, Equities and Commodities and all asset classes for Phase 3B entities commences October 12, 2015).
- As a result of the above differences, both parties may not have an obligation to report all trades and all trades (or trade components) in the same jurisdictions, creating challenges for determining whether a UTI is required and which party should create it.

#### *Complex, combination and package trades*

Not all components of certain complex, combination or package trades are subject to reporting in a particular jurisdiction, nor are they equally reportable across jurisdictions. This creates a distinct challenge for reporting across jurisdictions that necessitates a globally consistent approach. Considerations include:

- Is one UTI assigned for the overarching transaction or one for each component? Practically speaking it would be logical to assign a single UTI to each legally distinct transaction. However, not all components may be subject to reporting in all relevant jurisdictions.
- If all components or transactions are not reportable in one jurisdiction but may be reportable in another then from a validation perspective, TRs may be unable to accept the same UTI for reporting the separate components of a trade that may be subject to reporting in different jurisdictions (e.g. mixed swaps reportable to both CFTC and SEC) or for which all components of a trade are reportable in one jurisdiction, but only some components reportable in another. In either case, the trade data may not be aggregated in a comprehensible manner.
- Distinctions in regulatory requirements would make it impossible for parties to comply with multiple jurisdictions with a single representation. This challenge is



relevant for both UTI and product identification; therefore the approach recommended by the Harmonisation Group with respect to UTI should align with its intended guidance for assigning a product identifier.

### *Clearing transactions*

The predominant clearing model varies between jurisdictions; yet many clearing related transactions are reportable within and across jurisdictions. The applicable clearing model dictates the number of legally distinct transactions which make up the clearing flow and determines which parties are paired in each relevant transaction. In order to be accurate and consistent globally, UTI must therefore be assigned in accordance with the legally separate transactions that result from each model (and are distinct between the models).

Most global reporting regulations or associated guidance either lack specificity with respect to reporting pursuant to different clearing models or require that parties and clearing agencies (CCPs) report clearing transactions in a consistent manner regardless of the clearing model. As a result, the same set of clearing transactions may be reported differently in different jurisdictions. This impedes the efficiency of multi-jurisdictional reporting and impacts the ability to meaningfully aggregate data and eliminate duplicates in a set of clearing transactions since the UTIs will not tie-out. In addition, the UTIs assigned by the CCP or middleware may not align with the transactions booked in the systems of the relevant counterparties. Depending on the approach taken, there may be too few UTIs or not enough and the parties reported against each UTI may not match the parties to the relevant transaction in each party's books and records.

### *Prime brokerage transactions*

Global reporting regulations also lack clarity, specificity and consistency with respect to the reporting of derivatives transactions executed via prime brokerage arrangements. Prime brokerage arrangements aid liquidity and access to the market for end-users while limiting their costs by allowing the client of a prime broker (PB) to obtain pricing from multiple "executing dealers" (EDs) without having to enter into Master Agreements or establish credit lines with each dealer since the client only faces its PB, who in turn holds an off-setting position with the ED.

The preceding is an explanation of the most simple prime brokerage transactions; there are also some highly complex PB arrangements which result in additional related transactions. In either case, there are a set of legally distinct but related transactions. Only the legally distinct transactions which result from the applied prime brokerage arrangement should be subject to reporting. Regulatory requirements to represent the transaction in a way that is convenient for oversight but which distorts the set of legally binding transactions is inappropriate since the books and records of a party cannot and should not be required to capture transactions that do not reflect their actual risk. Doing so would also give regulators a distorted view of counterparty risk. Please see further details on the treatment of PB transactions our response to question 2, below.

### *Single vs. dual-sided reporting*

The requirement for parties from both sides of a transaction to report in certain jurisdictions greatly increases the challenge of UTI generation, since it necessitates an agreement regarding which party will generate the UTI for all the parties' mutual transactions and elevates the importance of timely UTI exchange to allow both parties to meet their reporting obligations.

For example, in Europe the EMIR reporting regime is dual-sided. In their respective responses to the EMIR Review – which requires the European Commission (EC) to prepare a general report on EMIR together with any appropriate proposals – the Associations highlighted the issue of single-sided reporting. In particular, proffering that dual-sided reporting has fallen short of providing regulators with accurate data, therefore undermining the ability of regulators to effectively assess systemic risk. Analysis of EMIR reporting data suggests the problems related to dual-sided reporting are mostly due to format mismatches and not material differences in values each firm sees as its data for a trade. The adoption of a single-sided reporting regime will significantly reduce the operational complexity of the current framework, including the exchange of UTI. It will also reduce the burden for less sophisticated derivatives users to report and create UTI, which will lead to a vast improvement in the availability of accurate data to regulators.

Absent a global alignment toward single-sided reporting, parties may wish to consider single vs. dual-sided reporting obligations in any bilateral agreements for UTI generating party.

- 2. Are there further harmonisations (that could potentially be applied) to the rules that define which transactions are reportable that would reduce or eliminate the challenges around generating UTIs? In answering this question, please also describe the challenge(s) and identify the jurisdiction(s).**

#### *Asset class or product scope*

Inconsistent regulatory expectations and a lack of written guidance regarding the treatment of FX swaps impacts the ability for market participants to report FX swaps multi-jurisdictionally in an efficient and consistent manner. The legs of an FX swap are separately priced and so should be separately reportable, each as an FX forward (regardless of their respective tenor) and each with its own UTI. For transparency, the two legs could be linked via reporting of a separate Link ID on each transaction. Consistency and clarity with respect to the reporting and UTI assignment for FX swaps should be achieved through the issuance of uniform regulatory requirements.

#### *Complex, combination or package trades*

Guidance on reporting complex, combination and package transactions either has not been provided in various reporting regulations or, if provided, has not been considered for a global consistency. In its Regulation SBSR<sup>5</sup> (SBSR), the SEC requires a reporting side to separately report, and for a TR to separately publicly disseminate, each security-based swap component

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<sup>5</sup> <http://www.gpo.gov/fdsys/pkg/FR-2015-03-19/pdf/2015-03124.pdf> at 14574

of a package transaction. While ESMA provides guidance<sup>6</sup> that (i) for trading strategies, the two (or more) derivative contracts related to the same trading strategies should be reported separately and (ii) for a transaction with two legs, both legs of the contract should be reported in one report, where the combination of fields in the Annex of the Commission Delegated Regulation (EU) No 148/2013 provides for this. Otherwise, a report per leg should be submitted.

We ask that the Harmonisation Group consider our responses below to the questions in section B of the Consultative Report regarding treatment of such transactions, and encourage all regulators to issue consistent requirements that take into consideration the practical challenges of reporting UTI for complex, combination and package transactions.

### *Clearing transactions*

The approach to reporting cleared transactions with respect to a particular clearing model must be harmonized. They are not so currently, creating differences in the number of UTIs created and reported for the same set of clearing transactions between jurisdictions.

CCPs have indicated that the CFTC has asked them to report all clearing transactions in accordance with the agency model style, regardless of whether they were executed via the principal model. Conversely, we understand that ESMA has requested that CCPs report clearing transactions in accordance with the principal model regardless of whether they were executed via the agency model.

In either case, reporting contrary to the clearing model distorts the number of related transactions in the clearing flows and the legal parties to such transactions. The reported data may not match the risk booked in the systems of the relevant parties. Further, if a set of clearing transactions is reported across jurisdictions, they would be expected to be reported differently in each jurisdiction. Such an approach is inefficient and would impede the ability to aggregate the transactions accurate across jurisdictions and obtain an accurate view of the risk.

The CFTC has recently issued proposed amendments<sup>7</sup> to its Part 45 regulations in which they seem to propose to codify an agency style approach to reporting cleared swaps. The CFTC proposes the addition of reportable data with respect to the clearing member (“CM”), including its LEI, its client account number and the “origin” to indicate whether the clearing member acted as principal or agent for a customer trade. Reporting the CM separately would be redundant for a principal model trade since the CM is a counterparty to both the clearing transaction against the CCP and the one against its client. Therefore, the proposed amendment implies that even if the principal model is applied, CCPs should continue to report the cleared swaps as transactions between the CCP and each counterparty to the original execution, as opposed to reporting the CM as its counterparty, where applicable, and having the CM to client trade reported separately.

The SEC has also proposed amendments<sup>8</sup> to SBSR that address the reporting of cleared transactions. Its proposal provides insufficient clarity with respect to the necessity to report

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<sup>6</sup> [ESMA Q&A](#) at 82

<sup>7</sup> <http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2015-21030a.pdf>

<sup>8</sup> <http://www.gpo.gov/fdsys/pkg/FR-2015-03-19/pdf/2015-03125.pdf>

cleared transactions differently based on the clearing model; rather it is skewed toward the agency model.

Despite the prevalence of the agency model in the US and the principal model in Europe, global regulators in all jurisdictions should provide clear and consistent requirements for parties to report and assign UTI to a set of cleared transactions in accordance with the relevant clearing model to accurately represent the transaction and allow for meaningful global aggregation and analysis.

ISDA worked extensively with market participants and clearing agencies to diagram a variety of clearing flows, simple and complex, for both the agency and principal models. In each case the diagrams provided in section 5.3 of ISDA's "Unique Trade Identifier (UTI): Generation, Communication and Matching"<sup>2</sup> (ISDA's UTI paper) which shows the UTIs that should be created for the respective transactions in the flow and the appropriate counterparties to each transaction.

#### *Prime brokerage transactions*

Consistent with our concerns raised with respect to clearing transactions, global reporting regulations and guidance either do not specifically address the challenges and circumstances appropriate to reporting and UTI generation for prime brokerage transactions or require reporting in a manner that contradicts the actual transactions that result from these arrangements.

The CFTC's Part 43 and 45 regulations do not currently address PB reporting. Though not currently in effect, the CFTC has issued some exemptive relief<sup>9</sup> to allow market participants to report PB transactions in accordance with industry standard practices. As part of its response to its consultation on Part 45<sup>10</sup>, we anticipate the CFTC will propose amendments to clarify the requirements pertaining to PB transactions, including the use of USIs or UTIs.

The SEC has proposed amendments to SBSR pertaining to the treatment of PB transactions<sup>11</sup>. ISDA and other respondents have raised concerns about the SEC's proposed requirements for the reporting of a "Transaction 1" between the ED and the PB client. As explained above, such transaction does not exist in current prime brokerage arrangements, and therefore cannot be assigned a UTI and separately reported. Please also see our feedback in question 8 regarding the lifecycle table.

Global regulators should provide clear and consistent guidance for reporting and UTI assignment for prime brokerage transactions that accurately represents the relevant transactions. See section 5.5 of ISDA's UTI paper for diagrams of a various prime brokerage flows, the relevant party transactions and their associated UTIs.

#### *Single vs. dual-sided reporting*

The requirements for whether single or dual-sided reporting is required varies between global jurisdictions. To promote efficiency of reporting, to reduce the burden of reporting on

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<sup>9</sup> <http://www.cftc.gov/ucm/groups/public/@lrllettergeneral/documents/letter/12-53.pdf>

<sup>10</sup> <http://www.cftc.gov/idc/groups/public/@lrfederalregister/documents/file/2014-06426a.pdf>

<sup>11</sup> Id.

certain market participants and to ease the challenge of UTI exchange, we encourage the regulators participating in the Harmonisation Group to align their requirements to the single-sided reporting approach.

## **B. UTI allocation for packages (packaged transactions).**

Some OTC derivative transactions involving the simultaneous pricing and execution of two or more components require two or more reports to TRs to specify them within the applicable reporting framework. These are sometimes known as “package” transactions. Examples of package transactions can include multi-leg swaps or option strategies. Nevertheless, there may be complex transactions that can be properly represented within a single report in some cases.

Currently, the most common reporting approach is to treat each component of a package transaction as a separate transaction and to assign a different UTI to each component that is a reportable transaction according to the rules governing the reporting of that component. Consistent with the approach described in Section 3.1 of having a separate UTI for each reportable transaction:

- Where component reporting is used for package transactions, UTIs should be allocated for each component that is a reportable transaction. (See below for a discussion on how the components might be linked.)
- Where reporting happens at the package level, i.e. a single report for the entire package, then a single UTI should be allocated to the whole package.

### **3. Do respondents agree with the proposed approach to UTI allocation for package transactions? Under what circumstances should the entire package have a single UTI?**

The assessment of the options available for allocation of UTI when reporting packages outlined in Section B is accurate. We would like to note that reporting parties face a number of challenges in reporting such transactions, and the approach taken by one firm when representing their package transaction for reporting purposes may not be the same as another, even as counterparties to the same package transaction, being reported in the same jurisdiction.

ISDA ran a packaged transactions-related survey<sup>12</sup> of reporting firms in late 2014 and the results of this survey show that firms take different approaches to reporting package transactions. Some results can be seen in the two figures below where it is clear that a large number of respondent firms describe their reporting representation of the given trading strategies as being different, the driver for the approaches typically being the representation of such transactions in their internal systems especially for straddles and strangles which often can be booked in risk systems as one trade record with identical features to the components. With more esoteric products this pattern and the impact of internal system representation is less pronounced.

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<sup>12</sup> [http://www2.isda.org/attachment/NzgyNA==/ISDA%20-%20Structures%20survey\\_Final%20results.pdf](http://www2.isda.org/attachment/NzgyNA==/ISDA%20-%20Structures%20survey_Final%20results.pdf) ;  
[http://www2.isda.org/attachment/NzgyNQ==/ISDA%20-%20Asset%20class%20and%20Post%20trade%20-%20lifecycle%20events%20survey\\_Final.pdf](http://www2.isda.org/attachment/NzgyNQ==/ISDA%20-%20Asset%20class%20and%20Post%20trade%20-%20lifecycle%20events%20survey_Final.pdf)

The flexibility allowed by the two options, to report at the component level or the package level, is important due to the reality of the myriad of systems and reporting frameworks but some standardization and harmonization of the more frequently traded package transactions would be a logical aspiration. We see the two approaches having value and will develop further in response to Section C ideas around how to link components so that the identification of the package and its components, where applicable, is evident to an observer of the reports.

Structures survey results<sup>13</sup> (excerpt - slide 9)

On 'trading strategies' (eg. straddles, collars, strangles, butterfly & call put spreads) where ESMA recommends to report separately each trade components (\*) :

- **36 %** of the respondents submit a single trade report
- **55 %** report as individual components as per ESMA recommendation
- **71%** report as the way they book.

Number of trade reports	Butterfly spread	Call/Put spread	Collar	Straddle	Strangle	Total
1	38.46%	25.00%	34.62%	46.15%	39.13%	36.61%
2	38.46%	62.50%	53.85%	46.15%	52.17%	51.79%
4	7.69%	0%	0%	0%	0%	0.89%
10	7.69%	4.17%	3.85%	0%	0%	2.68%
No answer	7.69%	8.33%	7.69%	7.69%	8.70%	8.04%
Total responses	13	24	26	26	23	112

Are you representing this trade type in this way when reporting because such trade types are always been booked in your systems in this way ?	One single report	2 reports	4 reports	10 reports	NA	Total
No	39.02%	12.07%	0.00%	0.00%	55.56%	2.5%
Yes	53.66%	86.21%	100%	100%	44.44%	71.43%
No Answer	7.32%	1.72%	0.00%	0.00%	0.00%	3.57%
Total responses	41	58	1	3	9	112

Response : 112  
 (\*) Q26 - art 9 - ESMA Q&A

## Structures survey results<sup>13</sup> (excerpt - slide 10)

For the other more complex structured trades, there is an overall tendency to submit a single trade report for 65 % while 39 % would not necessarily report following their booking system.

Are you representing this trade type in this way when reporting because such trade types are always been booked in your systems in this way ? (Yes/ No/ no answer)	Number of individual reports (legs) submitted for this product					Total	% per product type
	1	2	4	10	na		
<b>Quanto synthetic forward</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>		<b>7</b>	<b>36.8%</b>
No	2	1				3	42.9%
Yes	2		1	1		4	57.1%
<b>Synthetic forward</b>	<b>5</b>	<b>6</b>		<b>1</b>		<b>12</b>	<b>63.2%</b>
No	3	1				4	33.3%
Yes	2	5		1		8	66.7%
<b>Accumulators</b>	<b>9</b>			<b>1</b>		<b>10</b>	<b>8.6%</b>
No	6			1		7	70.0%
Yes	3					3	30.0%
<b>Autocallable</b>	<b>6</b>					<b>6</b>	<b>5.2%</b>
No	3					3	50.0%
Yes	3					3	50.0%
<b>Basis and calendar swaps</b>	<b>7</b>	<b>5</b>			<b>2</b>	<b>14</b>	<b>12.1%</b>
No	1	2			1	4	28.6%
Yes	6	3				9	64.3%
Na					1	1	7.1%
<b>Basket (option/swap)</b>	<b>15</b>	<b>4</b>			<b>3</b>	<b>22</b>	<b>19.0%</b>
No	9	4				13	59.1%
Yes	6				1	7	31.8%
Na					2	2	9.1%
<b>Cancellable Swaps</b>	<b>6</b>					<b>6</b>	<b>5.2%</b>
No	3					3	50.0%
Yes	2					2	33.3%
Na	1					1	16.7%
<b>Corridor</b>	<b>8</b>	<b>3</b>		<b>1</b>		<b>12</b>	<b>10.3%</b>
No	3	1				4	33.3%
Yes	5	2		1		8	66.7%
<b>Enhanced Deposit</b>	<b>3</b>			<b>1</b>		<b>4</b>	<b>3.4%</b>
No	2					2	50.0%
Yes	1			1		2	50.0%
<b>Quanto (option/swap/other)</b>	<b>5</b>			<b>1</b>		<b>6</b>	<b>5.2%</b>
No	3					3	50.0%
Yes	2			1		3	50.0%
<b>Swap (e.g. TRS or Price Return)</b>	<b>12</b>	<b>8</b>			<b>2</b>	<b>22</b>	<b>19.0%</b>
No	1	5				6	27.3%
Yes	11	3			2	16	72.7%
<b>Swap with embedded Cap/floor</b>	<b>8</b>	<b>4</b>			<b>2</b>	<b>14</b>	<b>12.1%</b>
No	1					1	7.1%
Yes	7	4			1	12	85.7%
Na					1	1	7.1%
<b>Total</b>	<b>88</b>	<b>31</b>	<b>1</b>	<b>6</b>	<b>9</b>	<b>135</b>	<b>100.0%</b>

4. Are there other approaches to UTI allocation for package transactions that should be considered? If so, please describe.

No. Please see our responses to questions 3 and 5.

## C. Identifying package transactions

5. Which, if any, of the options for identifying and linking components of packages do you favour and why? In particular, please consider the extent to which the options achieve traceability?

We support a principle that parties should follow the approach to trade representation of packages which they have used in the confirmation of the trade, even if the trade booking has been decomposed into its components. In the confirmation process for packages of components, parties will have linked the components internally and reconciliation with their counterparty's trades for confirmation processes is already successful. This is evidenced in the confirmation statistics required under regulatory risk mitigation requirements in most regulatory regimes in parallel to reporting. Furthermore, endeavoring to align the data, as well as the trade representation approaches taken, in reporting, confirmation, portfolio reconciliation and other risk mitigation techniques is an important aspiration to achieve efficiency and integrity of datasets.

As our response to question 3 alluded to consistent booking and reporting of all structures is a challenge. Therefore, for package trades beyond those that which have a confirmation (and ergo reporting convention in line with the principle mentioned above) convention to follow, we recommend that parties should be allowed to report in accordance with their booking approach. Per our approach to Link ID outlined below, where multiple UTIs are used in reporting a package transaction due to each component having a UTI, each reporting party would then use the same Link ID for each component. As long as both parties have one UTI in common, regulators will, in this way, be able to tie in the different legs of a trade.

For electronic executed/confirmed trades, we advocate following the platform representation of the trade. Systems may need to be sophisticated to adjust to different representations, so regulators should apply some leniency for market participants without flexible booking capabilities.

For jurisdictions with double sided reporting, there may still be a requirement for firms to represent the trade exactly the same for trade matching regardless of whether their systems align. The approaches above and the use of Link IDs (per below) will allow reporting parties in such regimes resolve mismatching trade representations more easily.

Speaking to the specific options, the Associations' members would favor the second option using a separate Link ID field on trade reports. Regarding the other options put forward for identification and linkage:

- We believe the first option would not work. A package transaction might contain "components" that are of different nature / even asset class – and typically the trade reference that is part of the UTI may differ due to it possibly being generated from a different system.
- We believe the third option would not work either. If reports are separately submitted for each of the components, they could not be given the same product identifier of the package but should be given the identifier which identifies it correctly (as the product it is and indicates the features it has). For example, consider an option strategy which may involve a call option and a put option which can be described for the purposes of illustration with the UPI "OPTIONSTRATEGY1". The correct UPI to assign to the component reports will be the relevant UPI for the call option (for illustrative purposes call it example UPI: "CALLOPTION1") and put option (for example UPI: PUTOPTION1). If alternatively there is a report framework that supports representation of the package on one report then that report should take the UPI "OPTIONSTRATEGY1".

Standard/harmonised representation of packages is a logical aspiration for development of reporting frameworks if reporting parties are provided the tools to allow identification of strategy or complex transactions which require standardisation, and this may then lead eventually to a full representation as one report with a UPI to identify the product. Indeed, development of message standards sees new product representations allow more complex products to be described over time on one template.

The proposal of a Link ID field to link multiple trade reports of different types is crucial to the development of standard ways to represent and match trades such as option strategies or other multi-leg trades currently reported as individual component trade reports each with its



own UTI. The ability to report a Link ID is already available from some TRs for limited application and could be expanded to meet this broader application.

Our suggested approach for using a Link ID is outlined in the table below. Some notably features of this approach:

- The Link ID may be specific for each party. And where applicable (in a dual-sided reporting regime) is not intended to be a “matchable” field. It may be considered as similar to the link identifier that is already used in the portfolio reconciliation processes to link n to n+ transactions where both parties have a different trade representation loaded to the portfolio reconciliation system.
- The key feature in the example in the table below is that one UTI at least is common – and the transaction has a link identifier on at least one of the reports (in dual-sided reporting or aggregation between reporting regimes). The link identifier may then be used to gather together all the components of the transaction for analysis (as each have a different UTI, but the same Link ID).

“Link ID” (ID "Y"): Used to link trades resulting from transactions which have multiple legs or component

Trade Report from Party A			Trade Report from Party B			Notes: Party A reports package as 3 component trade reports linking them internally with YLINKA345. Party B reports this same transaction as one report (redundant linking id in example but could be blank). They agree a UTI which Party A generated for one trade of the transaction. NB: The link id YLINKA345 could be the UTI generated by Party A i.e. CTPA-UTI321
<i>Counterparty Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Counterparty Data</i>	
Y	Execution date	UTI	UTI	Execution date	Y	
YLINKA345	13/02/2015	CTPA-UTI321	CTPA-UTI321	13/02/2015	YLINKB123/(blank)	
YLINKA345	13/02/2015	CTPA-UTI322				
YLINKA345	13/02/2015	CTPA-UTI323				
Trade Report from Party A			Trade Report from Party B			Notes: Party A reports a transaction as 3 component trade reports linking them internally with YLINKA345. Party B reports the same transaction as 4 reports linking them internally with YLINKB123. They agree a UTI for the complex trade which is generated by Party A Each party generates their own UTIs for the additional trade reports and links them internally with their own link ID NB: The link id YLINKA345 could be the UTI generated by Party A i.e. CTPA-UTI987
<i>Counterparty Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Counterparty Data</i>	
Y	Execution date	UTI	UTI	Execution date	Y	
YLINKA345	13/02/2015	CTPA-UTI987	CTPA-UTI987	13/02/2015	YLINKB123	
YLINKA345	13/02/2015	CTPA-UTI988	CTCC-UTI345	13/02/2015	YLINKB123	
YLINKA345	13/02/2015	CTPA-UTI989	CTCC-UTI346	13/02/2015	YLINKB123	
			CTCC-UTI347	13/02/2015	YLINKB123	
Trade Report from Party A			Trade Report from Party B			Notes: Party A reports package as 3 component trade reports linking them internally with YLINKA345. Party B reports the same transaction also as 3 reports linking them internally with YLINKB123. They agree a UTI for each component generated by Party B. Parties may choose to use platform generated link ids. NB: The link id YLINKA345 could be the UTI generated by Party A i.e. CTPB-UTI123
<i>Counterparty Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Common Data</i>	<i>Counterparty Data</i>	
Y	Execution date	UTI	UTI	Execution date	Y	
YLINKA345	13/02/2015	CTPB-UTI123	CTPB-UTI123	13/02/2015	YLINKB123	
YLINKA345	13/02/2015	CTPB-UTI124	CTPB-UTI124	13/02/2015	YLINKB123	
YLINKA345	13/02/2015	CTPB-UTI125	CTPB-UTI125	13/02/2015	YLINKB123	

**6. Do you see any difficulties in implementing any of the proposed options for identifying and linking components of packages? If so, please describe.**

As outlined in response to question 5, we see the first and third options as unworkable and prefer Option 2.

With respect to use of a Link ID under Option 2, it is important to note that a package as executed may include products that are not reportable under one regime but are reportable under another, or not reportable to a TR under any regime but are reportable under a different regulation. For instance:

- An ETD + OTC derivative package would see both components reportable to a TR under EMIR, but only the OTC would be TR reportable under other jurisdictions.
- For a package of 100 single name CDS + an Index CDS, the single names would be reportable to the SEC, the index to the CFTC, and both components to ESMA under EMIR.
- A bond + bond option would have only the latter reportable to a TR under derivative reporting regimes, but both would be reportable under MIFIR transaction reporting rules.

Therefore:

- The Link ID must be reusable across different global regimes. Regulators should not require that a reported Link ID only be used to reference products reportable to them.
- Regulators should be aware as a result (and accept) that they may be sent reports with Link IDs where they do not in fact have all the components of the package (or may even see single transactions with a Link ID), and hence may not have the full picture on initial pricing or valuation.

**7. Please identify and describe any alternative approaches for identifying and linking components of packages that should be considered, focusing in particular on any impact they would have on UTI generation.**

It is also important to recognize that a package could sometimes occur for a larger number of trades (e.g., in the thousands) such as for a purchase of an entire portfolio of transactions by one market participant from another market participant. Usually, each transaction is treated as a separate transaction (having its own UTI) and the reporting is linked via a Link ID.<sup>13</sup>

## **D. Approach to lifecycle events**

**8. Is the proposed division between events that should and should not require a new UTI complete and correct (please refer to the proposal described in this section and the table in Section 8)? If not, please provide other cases and explain why they should or should not lead to a new UTI being required.**

We appreciate the Harmonisation Group's acknowledgement and consideration of the Creation of UTI - Event table from the ISDA UTI doc when creating its table of lifecycle

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<sup>13</sup> It is worth noting that challenges of reporting for these kind of packages exist with respect to the reporting of pricing data, as very often the "overall purchase price" agreed among the parties for the entire package, cannot be precisely allocated to the various transactions comprising the components of the package, but can only be reported it its entirety.

events. However, we do not uniformly agree with the conclusions reached in the section 8 table of lifecycle events or else believe additional clarification is needed.

Our specific feedback as follows:

- Unwinds
  - The table in section 8 assumes that both full and partial unwinds always occur as a result of the entering into of an offsetting transaction. Though this may be common practice in some asset classes (e.g. FX), this is not always the case.
  - The table attempts to instead include unwinds for which there is not an offsetting transaction as “end-of-life” events. However, a partial unwind could be negotiated that reduces the principal or notional of the original transaction without the creation of a new, off-setting transaction, and thus that partially unwound transaction would retain its original UTI.
  - As it is not market practice to distinguish an “unwind” as a term exclusive to the reduction of notional via an off-setting transaction, the table could create confusion.
  - If a new off-setting transaction is executed, then such transaction would be assigned a new UTI which would be reported independent of the transaction which it off-sets.
  - In the case of a full or partial notional reduction, the original UTI should persist.
- Allocations
  - The table suggests there are cases where a portion of the original trade would remain unallocated. We are not aware of any scenarios in which a portion of the original trade remains unallocated and therefore a reduction in notional would be reported against the original UTI. Rather, we would only expect an amendment against the notional of the original trade if the notional was incorrect. Otherwise, the full notional of the original trade would be allocated and no portion would remain against the asset manager or investment advisor.
  - Each allocation that results in a new trade should be assigned a new UTI, and the UTI of the original trade should not (and cannot) be amended and reused to reflect the portion of the notional against one of parties to an allocation, even if the entire notional of the transaction should be allocated to the same counterparty.
  - It is important to recognize that all the allocations tied to an original “bunched” order may not result in the booking of a “new” trade against the allocated counterparty. Rather the execution of a bunched order may be associated with the unwind or novation of existing positions. In practice, a single bunched order may be allocated to create new trades for some counterparties and lifecycle events for others. In the case of any allocations which are lifecycle events on existing transactions, the UTI for the original allocation would persist and no new UTI would be created as a result of the latest allocation, unless such event resulted in a further new transaction (e.g. a novation transaction.)
- Contract stemming from another transaction
  - In certain cases more than one transaction may result based on the lifecycle event of an existing transaction. For instance, if the buyer of a credit default swap elects to trigger only a portion of the notional under a restructuring credit event two new transactions would result: (i) one for the untriggered portion, which remains live and may be triggered in a subsequent credit event, and (ii) one for the triggered

portion of the notional, that is subsequently terminated after credit event settlement.

- Generally, the exercise of a swaption results in a new contract for the underlying swap. Although the terms of the underlying swap may be contained in the confirmation for the swaption or have been reported as terms of the swaption, it is market practice to replace the swaption with its underlying swap once exercised. Both within internal firm systems and at trade repositories, a swaption cannot be transformed into the underlying swap – meaning only the terms of the resulting transaction that apply post execution are represented.
  - In addition, a new product identification value is assigned post-execution, as it would be incorrect to continue to represent that the parties held the risk of the swaption when they actually hold the risk of the underlying swap. The underlying swaps may be subject to subsequent clearing or compression cycles so must be distinguishable from the swaption.
  - Note that for FX callable forwards (also known as FX time options), often the (full) exercise of the option is considered to be a change of maturity date - in that case, the same UTI is retained. For example:
    - Original FX callable forward is booked as a forward with maturity date set to latest possible date (i.e. the date on which the underlying forward would mature if the option is not exercised).
    - In case of full exercise, the maturity date is just set to the new maturity date of the forward, i.e. an amendment, so retaining the original UTI.
    - However, it is also possible to partially-exercise (draw-down) on an FX callable forward. In this case, the new forward (the result of the embedded option) has to have a new UTI, as the original FX callable forward is still open for the remaining notional.
    - The key difference for FX callable forwards versus FX options in general is that they are reported as forwards and not options in the first place. Instead they are considered to be a forward with an embedded option to mature them early.
  - A similar approach may be applied for callable total return swaps or other products that have an embedded option for early termination.
- Clearing events
    - The representations of UTIs for the clearing models have been oversimplified. There are cases where additional UTI are involved, for example, when a transaction intended for clearing is allocated either prior to or after clearing submission. In these cases there may be multiple related alphas and/or betas and gammas.
    - ISDA conducted extensive analysis on various clearing flows under both the agency and principal models with market participants and clearing agencies. Please see section 5.3 of ISDA's UTI paper for diagrams of each clearing flow and the relevant UTIs. Though the Harmonisation Group may not choose to include all such scenarios in its table, it should acknowledge that there are more complex clearing scenarios under both clearing models that may result in more than "two" or more than "up to four" UTIs as a result of the clearing process.
    - The Consultative Report says that the proposed approach to lifecycle events should apply irrespective of the clearing model and irrespective of the applicable rules defining which entities have to report a cleared transaction. The table recognizes

differences in the principal vs. agency models result in different number of transactions and different party pairings. Those differences should be mirrored by the UTI. We believe that in order for clearing transactions to be reported accurately and consistently in accordance with the actual party pairings and associated risk of each resulting transaction, cleared transactions should have a UTI for each relevant transaction. Then regardless of potentially different obligations for which party is required to report, there can at least be an equal list of which related transactions are subject to reporting.

- Prime brokerage
  - The table incorrectly states that there is an original transaction with a UTI between the client and the ED that is terminated as a result of the event.
  - The client and ED never enter into a direct transaction; rather the resulting transactions between the ED- PB and PB-client are contingent upon the PB accepting the transaction. Therefore an ED-client transaction is not booked in the systems of either party, cannot be assigned a UTI and cannot be reported.
  - The purpose of prime brokerage relationships is to allow a client to access pricing from multiple dealers without having to execute relationship documentation (e.g. Master Agreement, CSA) or establish credit relationships with them. Therefore the ability to enter into a transaction between the ED and client would negate the need for the PB arrangement.
  - In addition, the suggestion that prime brokerage results in two new UTIs does not recognize that there are a variety of prime brokerage scenarios that are more complex and may involve more than two UTIs. See section 5.5 of ISDA’s UTI paper for various prime brokerage flows and the associated UTIs.
  
- Succession event of the reference entity
  - In some cases the reference entity of a credit default swap (CDS) contract may not be assigned to a sole successor. As a result, the CDS is split into more than one CDS contract with the successors being assigned an equal allocation of the notional (referred to as a “reorg event”). Therefore the table should acknowledge that a new transaction *or transactions* are created, each with a new UTI.
  - The table refers to a new reference entity *or reference obligation* resulting in a new transaction. However, a change to the underlying reference obligation (e.g. because it is no longer valid) would not result in a new contract or the split of the CDS contract and therefore would not result in new UTI. In addition, under the ISDA 2014 Credit Derivatives Definitions, if a CDS trades with Obligation Category and Deliverable Obligation Category of “Reference Obligation only”, then if the Reference Obligation is redeemed or otherwise ceases to exist, the CDS is terminated.
  
- Novation/Assignment
  - Although we acknowledge there are contractually legal distinctions between “assignments” and “novations”, in the uncleared OTC derivatives market transactions are novated and not assigned. Therefore no residual obligations remain with the original obligor, rather all rights and obligations are transferred upon novation.

- These novations are documented in accordance with the 2004 ISDA Novation Definitions<sup>14</sup>, in which “Novation Transaction means a Transaction in which (a) each Transferor transfers by novation to a Transferee and releases and discharges a Remaining Party, if applicable, (b) that Transferee accepts the transfer by novation of, and (c) that Remaining Party, if applicable, consents to such transfer by novation and acceptance of, all of the rights, liabilities, duties and obligations of a Transferor with respect to such Remaining Party and releases and discharges the Transferor(s) under and in respect of the Novated Amount of such Transaction.”
  - Therefore, we believe that it is sufficient for the Harmonisation Group to provide guidance with respect to the generation of a UTI for a Novation Transaction and additional or distinct guidance is not necessary for assignments.
- Contract intrinsic events
    - Changes to a derivatives contract which are pre-defined under the confirmation, such as amortising swaps, are not considered lifecycle events.
  - UTI correction
    - Under current market practice, in the event of a duplication or error with respect to a UTI, it is standard to cancel the report made with the incorrect UTI and issue a new report with the corrected UTI. There is no systematic linkage of UTI in these cases; no would there be any value in doing so since there is no lifecycle event.

**9. Different jurisdictions may have different rules (including case law) defining which events would require a new UTI to be created. Are respondents aware of any such differences? What difficulties do these differences create in the creation of UTIs? If jurisdictions’ approaches to when a new UTI is required cannot be harmonised, are there other steps that could be taken to avoid double-counting of transactions reported to different TRs?**

We are not aware of any differing rules or case law defining which events require a new UTI to be created. However, we encourage regulators to provide explicit guidance in their reporting regulations that correspond with the guidance issued by the Harmonisation Group with respect to lifecycle events, providing examples to clarify any complex transaction flows.

## **E. Relationship to prior UTI – linking related transactions**

**10. Do respondents agree with the analysis of linking related transactions through lifecycle events?**

We recognize that there may be value to regulators to track a transaction via linking of UTIs for some purposes (e.g. market surveillance). For purposes of assessing counterparty exposures, UTI linkage due to lifecycle events is not particularly relevant since in most cases the preceding transaction(s) have been terminated so do not reflect any current risk.

Though UTI linkage between transactions subject to various lifecycle events is done currently in some jurisdictions via the reporting of a prior UTI, there are challenges with achieving UTI linkage for all trade scenarios. Clarity and consistency with respect to which events result in a

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<sup>14</sup> <http://www.isda.org/publications/pdf/2004-Novation-Definitions.pdf>

new UTI is important. For this reason, ISDA created the event table in its USI and UTI guidance documents, which details numerous transaction flows and have stressed to global regulators that the workflow issues associated with UTI generation are more challenging and potentially more important than the UTI construct. Therefore, we appreciate that the Harmonisation Group has included this important aspect of UTI generation in the Consultative Report.

**11. Are there other cases to be considered in the analysis of linking related transactions through lifecycle events?**

UTI linkage is especially challenging in trading scenarios involving many transactions and multiple parties. For instance:

- Compression trades
  - Due to the many-to-one nature of compression exercises
- Complex prime brokerage arrangements
  - As referred to in our relevant preceding comments
- Complex clearing scenarios
  - As referenced in our relevant preceding comments
- Novated transactions<sup>15</sup>
  - The Transferee will generally not receive or systematically retain the UTI of the Old Transaction to which it is assuming rights and obligations. Only the Remaining Party will know both the UTI for the original transaction and the UTI for the Novation Transaction.

It is important to consider whether the party that would need to report the linked UTIs has access to all relevant values if it is not the party creating the UTIs. There are currently flows where all related UTIs may not be communicated to and held by the party with a reporting obligation or which is assuming the reporting obligation. In such cases, changes to communication arrangements for UTI may be necessary. Such dependencies will need to be factored into the timeframe for an industry transition to any new UTI linkage specifications.

**12. Are there practical difficulties that would arise from putting a successor UTI on a transaction that had been terminated? Such difficulties could arise in the reporting, the processing by the TR or the analysis by the authorities.**

Backward linking via a successor UTI is problematic, as generally market participants cannot update a transaction in their trade capture systems that has been terminated, nor is their reporting architecture designed to send such an update on a predecessor trade. With many lifecycle events (e.g. novations), a termination message of the predecessor transaction need not be reported. Rather, that transaction is auto-decremented in the TR if the UTI for the predecessor transaction is reported as the prior UTI on the successor transaction. Likewise, TRs either do not allow parties to update transactions that have been terminated/exited or else such update processes are manual in nature.

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<sup>15</sup> Capitalized terms in the section or referenced to elsewhere in this response are as defined in the 2004 ISDA Novation Definitions.

Significant overhaul of existing reporting architectures would be necessary to report successor UTIs, especially considering that no regulator currently requires use of successor UTIs<sup>16</sup>. The difficulty of reporting successor UTIs means it may not be practically and consistently achievable and the cost of changing system architecture to comply would outweigh the benefit considering that a predecessor UTI can achieve the same result. Any recommendation by the Harmonisation Group or a regulator for use of successor UTI should be accompanied by a cost-benefit analysis that explains the regulatory use of such information and why such obligation could not be met by obtaining the information through a method that is already in use and could be expanded, as necessary, to meet the UTI linkage recommendations more easily and at a lower cost. Where appropriate and possible, a predecessor UTI should instead be reported with the successor trade, allowing regulators to track the transaction backward, if needed. Use of both a successor UTI and predecessor UTI is redundant.

**13. Can respondents suggest other ways of achieving links between reports subject to lifecycle events that meet the characteristic to provide an audit trail?**

Use of a predecessor or “prior” UTI is the most practical and achievable approach in most scenarios. However, prior UTI is not practical for compression activity. A compression exercise can involve the termination of hundreds of transactions. Trying to link hundreds of prior UTIs to a successor UTI would be costly and difficult to implement since firm and industry systems have not been designed to track linkage on this scale. The regulatory purpose for implementing such capabilities would need to justify the associated cost and effort.

Instead, event processing IDs are currently used by compression service providers and the industry to identify trades subject to the same compression cycle. These event processing IDs could be reported as the “Link ID” for compressed trades. Regulators would be able to distinguish the compression trades from package transactions that reference a Link ID based on the reported event type of “compression” that may be provided by the TR.

**14. Which of the proposed solutions to linking reports subject to lifecycle events do you favour? Do you see any difficulties in implementing any of the proposed solutions, and if so, what are they?**

Use of a single prior UTI value is most practical; where multiple prior UTIs are involved (i.e. for compression trades), then a Link ID can meet the stated objectives. The Harmonisation Group has not included that choice in the Consultative Report, but as discussed previously, use of both a successor UTI and multiple prior UTIs are extremely problematic.

Our specific feedback with respect to the four linkage options presented is as follows:

- (i) embedding link info into the UTIs. This is not a viable solution, especially in the case of one to many and many to many scenarios. Embedded linkage would

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<sup>16</sup> We acknowledge that the CFTC has recently proposed amendments to its Part 45 regulations that would require CCPs to provide successor UTIs for the related cleared swaps when reporting a termination (via clearing novation) for an alpha. Such obligation may be redundant since the CCP is also required to report the predecessor UTI of the alpha on the cleared swaps.



complicate UTI generation logic and, as we specified in our introductory remarks, would overload the UTI with additional information beyond its purpose.

(ii) prior UTI and successor UTI. Prior UTI is viable in many, but not all, cases. Successor UTI is not. (See our answers to questions 12 and 13 above).

(iii) multiple prior UTIs. Multiple prior UTIs is primarily applicable to compression activity, but reporting all prior UTIs is not practical. A Link ID is a better option. (See our answers to questions 12 and 13).

(iv) separate table to report linkage of UTI. Not currently supported by market participants or TRs. Significant cost and effort would be incurred to implement input as well as output to regulators.

**15. Can respondents suggest UTI constructs that would achieve embedding the link information about lifecycle events into the UTI while still compliant with the authorities' desired characteristics for the UTI?**

We do not support the concept of imbedding linkage in the UTI since:

- event linkage would need to be built into the generation logic, increasing cost of implementation, complexity of build and increasing the chances of error;
- it would make it more challenging to establish a length for UTI if some UTIs needed to account for linkage while others do not. Even if the length is variable, parties would have to account for the additional characters required by the linkage within the maximum character allowance and implement a separate approach to their UTI values in each case; and
- it puts intelligence in the UTI and loads it with a purpose beyond what we believe the UTI should serve and risks the derivation of transaction details that are more appropriately determined from the relevant data field.

## **F. Responsibility for the generation of the UTI**

**16. Are there additional issues that should be taken into account in considering the responsibility for generating UTIs?**

*Timely availability of UTI*

Considering that timely availability of a UTI to meet reporting obligations is of utmost importance, the following factors are important to determining responsibility for generating UTIs:

- UTI should be generated at the earliest possible point in the trade flow and communicated electronically.
- In order to reduce the challenge of communicating the UTI between the parties, UTI should be centrally generated and communicated to both parties if a market infrastructure provider is involved and is capable of generating such value. Ideally, corresponding regulations would require this central generation of UTI, whenever possible, for consistency and certainty. Regulators should encourage infrastructures that cannot currently do so, to implement the functionality to UTI generate.

- UTI assignment by market infrastructure providers, in the following order of preference:
  - Execution venue
  - CCP
  - Affirmation/confirmation platform
- All middleware and market infrastructure providers which would be capable of and willing to generate a UTI should be allowed to do so to increase the efficiency of UTI generation.
  - Currently, the CFTC restricts generation of USIs to registered participants (e.g. swap dealers, major swap participants, CCPs, swap execution facilities) by requiring that USI be generated using a USI prefix that is only issued to such registrants. This prevents market infrastructure providers, like Electronic Communication Networks (ECNs), which are uniquely positioned to generate USIs on behalf of the parties from doing so. This creates challenges for the timely exchange of USI to meet the parties' reporting obligations.
- Where necessary, counterparties and market infrastructure providers may need to make changes to their builds to allow for the necessary communication and consumption of UTIs from the execution venue, CCP or affirmation/confirmation platform.
  - Under indirect clearing, for instance, there are currently cases where the clearing member does not have access to the UTIs created by a middleware platform for an agency style clearing transaction. However, CMs often report on behalf of their clients and need the timeliest and direct access to the relevant UTIs. In cases such as this, access to UTIs may necessitate changes to existing UTI communication flows.

### *Bilateral Agreement*

UTI generation should be subject to bilateral agreement between the parties only if a UTI cannot be centrally generated. But absent any such agreement, parties should be obligated to follow the global standard, otherwise there is a risk of more than one UTI for a particular transaction.

Factors which may be important to establishing a bilateral agreement as to which party should generate the UTI include the following:

- Which party or parties have a reporting obligation in a jurisdiction at the point the trade is executed. A party without a reporting obligation likely has no regulatory requirement to create or communicate a UTI. The party with the sole obligation to report may not wish to be dependent on the party without an obligation to ensure its compliance.
- If both parties have reporting obligations, the party with the earliest reporting obligation may prefer to be the UTI generating party in order to ensure it is able to meet its reporting obligation on time. For instance, since the CFTC currently has the shortest reporting timelines (<15minutes), the party with a reporting obligation to the CFTC may wish to be the UTI generating party if a UTI cannot be sourced from a market infrastructure. Such timeframe may be insufficient to ensure communication, consumption and application of a UTI from the other party.

- Delegated reporting. In dual-reporting jurisdictions, such as the EU, it is common for the more sophisticated market participant to perform delegated reporting on behalf of the other party. This occurs in limited cases in single-sided reporting regimes as well. In such cases, it is logical for the party performing the delegated reporting to be the UTI generating party.
- Single vs. dual-sided reporting. As mentioned previously, whether a transaction is reportable by both or one party within a jurisdiction may influence preferences for which party generates the UTI.
- Nexus obligations. Some cross-border reporting rules require or propose to require a party to report in a jurisdiction due its use of local personnel, such as traders or salespersons, who arrange, negotiate or execute a transaction (“nexus obligations”). In these cases a party may not know whether its counterparty has a nexus reporting obligation, since this transaction level information is not exchanged between the parties. We expect that a nexus obligation will almost always be a secondary reporting obligation and that the relevant transaction is reportable by one or both of the parties in their primary jurisdiction. However, in order to ensure availability of a UTI for nexus reporting, the parties may wish to agree an arrangement that facilitates UTI exchange in a timeframe that accommodates potential nexus obligations.

#### *Persistence of UTI generating party*

If the UTI was generated by the party with the only reporting obligation at the point of execution (based on party agreement) and then the other party has a subsequent reporting obligation after the UTI has been generated (e.g. due to new regulation or a change in the party’s status or a lifecycle event), it should be obliged to use the available UTI for any such subsequent reporting.

- Therefore parties that do not have a reporting obligation should still be provided, consume and retain the UTI for future use.

#### *Reassessment upon lifecycle event resulting in new UTI(s)*

The party responsible for generating the UTI should be reassessed at the point the parties enter into a lifecycle event that necessitates the generation of new UTI(s). The Harmonisation Group’s guidance should be explicit on this point to ensure regulatory and industry consistent interpretation.

In the case of most events that prompt new UTI, the parties to the subsequent transaction will change and therefore the logic for determining the party which will generate the new UTI(s) should be reassessed. For example, with respect to a Novation Transaction, the party responsible for creating the UTI should be determined between the Remaining Party and the Transferee, regardless of whether the Remaining Party was responsible for generating the UTI for the original transaction.

- 17. Would it be beneficial if the guidance did not provide for the harmonisation of rules for the responsibility for UTI generation with respect to trades that are not cross-border? Would there be disadvantages to this approach? Does the analysis of this idea depend on which option is used for cross-border trades?**

No, this would not be beneficial, due to the following:

- Parties that have reporting obligations both within that jurisdiction and globally would have to build and maintain two sets of UTI generating party logic.
- In the event the parties do not have the same understanding about whether the trade is exclusive to a jurisdiction or reportable cross-jurisdiction, they may misalign on which of them is the UTI generating party.

**18. Do respondents agree with the high-level assessment of the Option 1 proposal for the responsibility for generating UTIs? Please explain why or why not?**

Our feedback on the high-level assessment for Option 1 (i.e. single global method for determining UTI generating party) is as follows:

- **Neutrality** is an appropriate characteristic for UTI construct, but in practice cannot be achieved entirely for determining which party generates the UTI. Whether parties have a reporting obligation in any jurisdiction and when any such reporting is required must be taken into consideration in order to ensure that parties that have earlier reporting obligations are able to meet them.
- As demonstrated by the table below, the timeframe for reporting is significantly shorter in some jurisdictions. Unless regulators in those jurisdictions amend their regulation to come into line with the longer timeframes afforded in other jurisdictions, where the timeframes for reporting are significantly different for a particular transaction, the parties may need to consider generation and communication of UTI in accordance with the shortest regulatory reporting deadline.
- The requisite for both parties to report either within or across jurisdictions also interferes with a jurisdictionally-neutral approach to determining the UTI generating party since it amplifies the importance of timely UTI exchange.

	CFTC	CAD	EMIR	ASIC	HKMA	MAS
<b>Timing:</b>	<15mins	T+1	T+1	T+1	T+2	T+2
<b>Requirement:</b>	Single sided	Single	Dual	Dual	Dual	Single

- However, we recognize the challenges of including such jurisdictional considerations in the prescribed global hierarchy for assigning a UTI generating party. Therefore we believe that any substantive jurisdictional considerations should instead be considered by the parties for any bilateral agreements.
- **Easy and timely generation.** As the assessment indicates, meeting this characteristic is dependent on the rules being the same in each jurisdiction. As they are not, and are unlikely to be so (e.g. single vs. dual-sided reporting and distinctions in reporting deadlines), for purposes of agreeing a UTI generating party, central UTI generation should be leveraged to the greatest extent possible. Alternatively, the parties may need to consider the jurisdiction with the earliest timeframe to report in order to facilitate compliance. This may drive a bilateral agreement that would trump any tie-breaker logic.

- The cases where one of the counterparties is responsible for generating the UTI pose the greatest challenge for timely communication of UTI between the parties to meet their respective reporting obligations. There is no single method to provide the UTI, rather a variety of channels are used depending on the asset class, the participants, the execution method, confirmation approach, etc. Absent an electronic method, the UTI is included on the paper confirmation between the parties. However, market participants acknowledge this is not an ideal method since reporting may precede confirmation. Guidance from the Harmonisation Group may not solve this challenge and the industry will still need to work to develop a more timely and ultimately more efficient method for UTI communication.

**19. Are there additional considerations relevant to the Option 1 proposal for the responsibility for generating UTIs? If so, please describe.**

In certain transaction flows is it logical for a particular party that has greater technical capacity and has the most complete and timely access to the data to report (in single side reporting jurisdictions) and also generate the UTI. Currently industry practice for UTI generation in these cases should be recognized by the Harmonisation Group's guidance and allowed by regulators as an exception to the UTI generating party hierarchy. These include the following:

- In prime brokerage transactions, it is currently industry standard practice for the ED to generate the UTI for (and report) the ED to PB trade and for the PB to generate the UTI for (and report) the PB to client trade.
- Under principal model clearing, the clearing member is best positioned to generate the UTI for (and report) the CM to client transaction.

**20. Is a problem of enforceability created if the UTI was generated by an entity outside the jurisdiction of one of the counterparties?**

Third party providers may offer services to generate UTI and such services may be key to timely UTI generation and communication. However, a party which is not subject to the oversight of at least one of the jurisdictions to which a transaction is reportable could not be compelled to provide a UTI.

Optional services to generate UTI via third party providers should be allowed via mutual agreement between the parties but the parties would ultimately be accountable to ensure one is provided and if not, the party that is the UTI generating party under the global standard would need to create one.

**21. What are respondents' views on the proposed Option 1 hierarchy for the responsibility for generating UTIs? Are the steps necessary and sufficient? Are they defined well-enough? Are there alternative ways of achieving Step 6?**

Our feedback on Option 1 UTI generating party hierarchy is as follows:

### *Bilateral agreement*

We concur that parties should be allowed to bilaterally agree which party is the UTI generating party. Although it should not be disallowed, we believe it is impractical to agree which party will generate the UTI on a trade-by-trade basis. In order to allow for timely reporting, such decisions need to be made in advance and implemented systematically rather than via transaction-level negotiation.

### *Central platform generation*

We agree with steps 2 through 4 which would provide for, in order of preference, the organized trading platform, the CCP or the electronic trade confirmation platform to generate the UTI. The use of a central party is key to mitigating the challenge of timely exchange of UTI since the UTI can be notified to both parties simultaneously via the same already established electronic communication channel as other transaction data. In many cases more than one of these providers will be involved in a transaction, so their respective builds must allow or require consumption or recognition, as appropriate, of a UTI from a preceding platform so that an extraneous UTI is not created.

If a confirmation platform is capable of providing a UTI, there should not be a dependency on the trade being fully confirmed before such UTI is available. Such prerequisite may impede the ability for timely reporting.

### *“Seller” tie-breaker logic*

Step 6. “Otherwise” suggests use of a “seller” convention as the next step in determining the UTI generating party. Some derivatives transactions do not have a single or obvious “seller” and assigning a proxy seller for purposes of either reporting the direction of the trade or assigning UTI is not straightforward. ISDA discussed this challenge at length with its asset class-specific working groups while developing supplemental USI and reporting party standards for CFTC reporting, and found industry agreement in the form of the asset class tie-breaker logic which is part of the current ISDA UTI standard. Where appropriate, the seller is the designated UTI generating party. But in some cases additional clarification is important to ensure consistency (e.g. for credit swaptions, the party that is the seller of the underlying swap), and in other cases an alternate approach is more logical to asset class practitioners or more operationally viable.

ISDA’s asset class tie-breaker logic has been in use by the industry for almost three years in various jurisdictions for either determining which party will report (e.g. CFTC, Canada) and/or for determining which party will generate the UTI. In single-sided reporting regimes such as the U.S. and Canada, the alignment of these practices creates efficiency as the party primarily responsible for reporting is also responsible for generating the UTI.

ISDA’s asset class tie-breaker logic was developed leveraging the expertise of asset class operational experts under the oversight of asset class-specific steering committees. It is in broad use in the industry, having been built not only by parties to OTC derivatives transactions but also by Swap Execution Facilities and various affirmation, confirmation, and middleware providers who use the logic to determine a reporting counterparty or create a USI or UTI on behalf of one of the parties. The standard has been working successfully, with no known issues where the logic is implemented fully.

We encourage the Harmonisation Group to adopt ISDA’s asset class tie-breaker logic as its globally recommended approach rather than establishing a new standard or a variation on

this standard that would require market participants to abandon or rebuild an industry standard logic that is already working well. A change in the standard could also undermine the benefits currently realized by an aligned approach to reporting party determination in some jurisdictions.

We acknowledge that in CPMI-IOSCO's Consultative Report *Harmonisation of key OTC derivatives data elements (other than UTI and UPI) – first batch* the Harmonisation Group suggests an approach to determining which party is the “buyer” of the various products, thereby suggesting that the other party would be the seller. The Associations expect to comment separately on this consultation. However, even if these recommendations were to be adopted to improve the consistency of the reported data for trade direction, the UTI generation hierarchy should not be dependent on those definitions - especially if they deviate from ISDA asset class tie-breaker logic that firms have implemented and been using as part of the ISDA UTI standard. The cost and effort to implement any differences and transition between approaches is not justified considering there would be no material improvement in the ability for parties to independently determine which of them will generate the UTI.

#### *LEI tie-breaker logic*

Similar to the ISDA UTI standard, Option 1 includes a further fallback involving the availability or comparison of LEIs for cases in which a UTI generator is not determined via seller convention. However, the Consultative Report takes a different approach, proposing use of the first reversed LEI in ASCII order as opposed to the first LEI in reversed ASCII order. Although we acknowledge that parties issued LEIs from the same Local Operating Unit will have the same initial set of characters, a UTI generating party can still be determined as a result of the comparison of the LEIs. We do not see a material benefit to justify changing the fallback approach from what has been implemented already by market participants and is working effectively. Unless the Harmonisation Group can further justify the superiority of this alternative approach, the cost and effort of changing existing builds should not be required.

## **22. Is it desirable to include the sort of flexibility represented by Steps 1–5? If so, where in the hierarchy should the flexibility be provided?**

With respect to the proposed options to place bilateral agreement as either Step 1 or Step 5, it is more appropriate to place it at Step 5. As discussed in question 21, above, if one of these platforms is involved and is required or willing to generate the UTI, they should do so (i) for timely availability of UTI and (ii) to avoid multiple UTIs for the same transaction.

If parties had separate agreements for one of them to create a UTI instead, then there may be multiple UTIs in circulation for a transaction since central platforms would unlikely be able to suppress UTI generation based on bilateral agreements. Therefore bilateral agreement should only apply to transactions for which UTI cannot be assigned by a central platform and is it therefore necessary for one of the parties to the transactions to generate the UTI.

**23. Can respondents provide an alternative set of UTI generation steps for the proposed option 1 hierarchy for the responsibility for generating UTIs that meet all of the characteristics set out in Section 2?**

We greatly prefer Option 1 to Option 2, as although Option 1 is not without its challenges it would be too difficult for parties to build jurisdictional-specific elements regarding their counterparty, like reporting timeframes and dual vs. single-sided reporting requirements, into their UTI generation logic.

However, as provided above, we support bilateral agreement as placed in Step 5, rather than in Step 1, and feel strongly that Step 6 should be based on the existing tie-breaker logic in ISDA's UTI standard since it is already in use by a majority of market participants and has proven reliable.

**24. Does the proposed Option 1 hierarchy for the responsibility for generating UTIs work across different reporting jurisdictions, particularly considering differences such as single-sided and double-sided reporting?**

Option 1 does not take into consideration the following aspects which may be pertinent to which party should generate the UTI:

- Which party or parties have a reporting obligation in various regimes;
  - It is not logical to assign the obligation to generate the UTI to the “seller” of the trade if that party does not have a reporting obligation in any jurisdiction. That party would neither be obligated to generate a UTI for that trade nor would they be motivated to communicate one timely in order to allow the other party to meet its reporting obligation.
- The relative technological capacity of market participants;
  - In their reporting regulations, many regulators have tried to limit the obligations and related cost/effort for buy-side/end-user market participants.
- The respective timing of the reporting obligations of the participants or the deadlines for any public reporting requirements;
  - Although a UTI may not be publicly reported, a TR will still require the value in the submission for administrative purposes.
- Dual-sided reporting obligations in a particular regime mean that timely exchange of UTI is always a factor;
  - Delegation of reporting responsibilities may lessen such burden.

However, the above jurisdictional-specific factors (that may apply on a trade by trade basis) would be very difficult to implement into each party's UTI generation logic. The complexity of understanding or consuming and applying such logic on a transactional basis may lead to contrary determinations and result in gaps or duplications in UTI generation. Therefore, on balance, we believe that a jurisdictionally neutral approach is best. Instead, the above challenges are best contemplated as part of any bilateral agreements between parties with respect to which of them will generate the UTI.



**25. Do respondents agree with the high-level assessment of the Option 2 proposal for the responsibility for generating UTIs? Please explain why or why not?**

We generally agree with the high-level assessment. Though with respect to the neutrality characteristic, we know that many rules are not sufficiently compatible, especially when it comes to single versus dual-sided reporting. In a single-sided regime, it is logical for the party with the obligation to report to generate the UTI, and if a single obligation exists in multiple jurisdictions between the parties, then other jurisdictional aspects (e.g. report timing) may need to be considered before a tie-breaker logic is applied. When a dual-sided reporting regime is involved, UTI generation is more complex since a single party will not hold the obligation to report globally. This would not have to be part of the global standard, but may need to be addressed by market participants nonetheless on a bilateral basis to ensure their ability to comply with their respective reporting obligations.

**26. What are respondents' views on the feasibility of the Option 2 proposal to the responsibility for generating UTIs? Are there particular issues for respondents that operate in more than one jurisdiction? How serious is the possible ambiguity in Option 2 and are there efficient and suitable workarounds.**

We believe that Option 2 is not a feasible approach. As provided in our responses to the preceding questions, reliance on knowledge of your counterparty's reporting obligations is extremely challenging.

Especially considering various cross-border and nexus obligations, parties would have to have complex static data on their counterparties and require additional transaction specific data (e.g. the involvement of sales or trading personnel from a particular jurisdiction) to fully understand their counterparty's obligations. The potential for error is high, which could result in different conclusions regarding which party is responsible for generating the UTI and thus either more than one UTI for a transaction or the failure for either party to timely generate a UTI.

**27. Are there additional considerations relevant to the Option 2 proposal for the responsibility for generating UTIs? If so, please describe.**

Regulators must eliminate any jurisdictional restrictions with respect to who is allowed to generate the UTI. Ultimately it should not matter which party, or third party provider, generated the UTI, as long as it can be assured it is globally unique to the transaction.

**28. Is a problem of enforceability created if the UTI was generated by an entity outside the jurisdiction of one of the counterparties?**

Yes, this could be an issue if the party expected to generate did not have an obligation to report in any jurisdiction or was not required to generate a UTI in its own jurisdiction.

However, many trade execution platforms, CCPs and market infrastructure providers are already reporting, offering reporting services and creating UTI. The lack of a regulatory endorsed standard for UTI has impeded broader offering of these services due to the

complexity of complying with the requirements of different regimes. An aligned global approach will incentivize such parties to offer UTIs on a consistent basis and their customers, the counterparties to such transactions, will encourage them to do so.

**29. What are respondents' views on the possible rules for the generation of UTIs that meet the compatibility approach of Option 2? Are there any additional rules that should be considered to meet the compatibility approach?**

The jurisdictional and party considerations highlighted previously may be taken into consideration for any bilateral agreement, as desired by the parties.

**30. Do respondents agree with the assessment of the Option 3 approach for the responsibility for generating UTIs?**

The assessment for Option 3 is based on a theoretical approach to UTI generation for which there is no existing viable generation algorithm. Conceptually the idea of independent generation is appealing as it eliminates the challenge of establishing a standard for determining which party will generate the UTI and the challenge of communicating such UTI.

A proposal for such an approach was developed by the Futures Industry Association, but even in the ETD space where products are more standardized, a workable solution was not realized. The OTC derivatives space is innately less standardized and therefore developing a set of inputs and an algorithm for both parties to independently determine a unique UTI value that is sufficient to cover both standardized and bespoke products, known and unknown products, and the potential array of influencing trade attributes may not be achievable.

In addition, such an approach is dependent on the parties agreeing precisely on the inputs. Any disagreement or error in the relevant trade details would produce different UTI. Without the exchange of UTI the existence of duplicate UTIs may not be readily discovered or rectified even if the parties resolve an underlying break in trade details via affirmation, confirmation or other mechanisms. The use of a different UTI may actually impede their ability to reconcile the trades and resolve an underlying issue since their respective views may not be paired.

**31. Are there particular challenges for authorities in monitoring compliance with any of the options for the responsibility for generating UTIs?**

The emphasis of the authorities should be on implementing a consistent, harmonised global model which will improve UTI matching rates and minimize issues arising from UTI generating party logic.

With respect to timely availability of UTI, it would be beneficial to have clear guidance from regulators around expected behaviour when the prescribed UTI generating party does not provide the UTI in a timely manner. Currently a party which is not the UTI generating party may generate its own interim UTI or use its internal trade reference to report until it receives the actual UTI from its counterparty. Regulations may not explicitly provide which party is responsible to generate the UTI, just that the parties have an obligation to agree one.

As long as responsibility for the UTI is assigned to a party that has a reporting obligation, such party will meet its UTI obligation in order to meet its reporting obligation. In the case of a trading venue or CCP in many jurisdictions these parties have an obligation to report, and therefore would likewise be incentivized to generate the UTI. In the case of confirm platforms or other middleware providers, they are commercially incentivized to provide such services to their customers.

In the case of trading venues, CCPs or market infrastructure providers, once they have implemented the ability to assign UTI (and should be encouraged to do so) such processes would be automated and therefore should be consistently available for use in a reporting. Market participants with a reporting obligation that were dependent on receipt of a UTI would need to work with third party providers to resolve any availability issues and otherwise fallback to counterparty generation.

**32. Considering all three options presented for the responsibility for generating UTIs, do respondents see other suitable solutions meeting the characteristics set out in Section 2?**

No, we do not. We support a modified Option 1, as discussed in our response to question 33 below.

**33. Which option for the responsibility for generating UTIs do you regard as preferable? Why is this? What would be the disadvantages to you if your non-preferred option was chosen.**

The Associations and their members prefer Option 1, with (i) the placement of bilateral agreement at current Step 5 and (ii) use of the existing industry asset-class (and LEI) tie-breaker logic as provided in the ISDA UTI standard. To streamline UTI generation and reduce counterparty burden, bilateral agreement for counterparty generation of UTI should only apply when central UTI generation is not possible. With respect to standard tie-breaker logic, the ISDA asset-class tiebreaker logic has been implemented by a large percentage of market participants and is working. Without a material benefit to changing the approach, the cost and effort of asking the industry to change system builds and transition from current industry standards (that were developed to fill the void of a global regulatory standard) cannot be justified.

Although the seller convention and LEI fallbacks suggested in the Consultative Report may indeed be viable, we urge the Harmonisation Group not to recommend an alternative approach just for the sake of putting its mark on the standard. Market participants should be rewarded rather than penalized for being forward-thinking and taking the initiative to develop and build mechanisms to generate a single global UTI because they knew it was the right approach, even absent a regulatory mandate to do so. ISDA's and the other Associations' only incentive to promote the status quo is to ease the burden on market participants, and as such would be very grateful if the Harmonisation Group adopts the existing approach as its own.

## G. Timing of UTI generation

### 34. Is the assessment about timing for UTI generation correct? Are there examples of timing requirements from authorities that are incompatible with other elements of the proposed UTI generation approach? If so, please describe them.

As stated throughout our response, the ability for the UTI to be available in time for the first party with a reporting obligation is extremely important. Regulators will not excuse parties from their reporting deadlines due to the dependency on their counterparty to provide the UTI.

The requirement to report “as soon as technologically practicable” or within 15 minutes of execution under the CFTC’s Part 43 and Part 45 regulations is a major hurdle with respect to the exchange of UTI. Without suggesting a hard deadline, the Harmonisation Group should recommend that the party responsible for generating the UTI must do so and ensure it is communicated to their counterparty or the counterparties within the shortest applicable regulatory deadline for reporting in order to ensure both parties can comply with their reporting deadlines.

To be clear, the challenge regarding the timing of UTI generation is not based on the actual act of a party creating the UTI value, but instead on the method and the associated timeframe to communicate the generated UTI. The Harmonisation Group should include in its final recommendations around the timing of UTI generation that the UTI should be available to consuming counterparties by electronic means, which will avoid any requirement for manual transcription.

As individual regulators adopt the Harmonisation Group’s recommendations regarding UTI and thereby endorse the value of a globally consistent UTI for each transaction, they should consider the challenges of timely UTI generation *and communication* for multi-jurisdictional reporting. If such exchange is not viable in the requisite timeframes for reporting, then regulators should reconsider their deadlines or allow for the use of an interim or internal identifier until the UTI can be obtained and reported. In addition, allowing for an increased level of substituted compliance or allowing single-sided reporting would reduce the urgency of bilateral UTI communication.

## H. UTI structure and format

### 35. Do respondents agree with the proposed overall approach to UTI structure and format? If not, please suggest alternatives that meet the characteristics.

We broadly agree with the proposed overall approach to the UTI structure and format insofar as they align with the attributes we have discussed are necessary for the UTI, which are:

- (1) Certainty of uniqueness.
- (2) Unique to the party who generates.
- (3) Can be used in across different jurisdictions.
- (4) No registration process to avoid possible delays.
- (5) Works across all asset class data management systems.

On the specific point of a proprietary algorithm, we would take this opportunity to convey that we do not consider an algorithm to be proprietary if:

- The algorithm itself is made known and publically available.
- The algorithm is made available at no cost and is available to any party who requires it.
- The task of using the algorithm in order to derive a portion of the UTI format is available at no cost and is available to any party who requires.
- Any necessary checks for uniqueness are performed at no cost, made transparent, and available at all times for any party who requires.

Although parties provide contact details in order to access the previously mentioned UTI Prefix generation website UTIPrefix.org, the details requested are only the most basic, such as email address, name and organization. ISDA, who maintains UTIPrefix.org, is not viewed as a registration authority per se, but as a facilitator to whom parties, upon initial access to the service, provide contact details to in order to be contacted should an issue arise.

However, to further our common goals of a globally harmonized UTI solution, ISDA would whole-heartedly support transferring the website and its functionality to CPMI-IOSCO or another public sector body who would be able to further the industry best practice<sup>2</sup> to the next level. ISDA would also willingly continue to provide administrative support for UTIPrefix.org for the benefit of the industry.

## I. Possible components of the UTI structure

### 36. Which of these possible UTI components, if any, are important and why? Is it necessary for the UTI to have any of these components?

We appreciate the value of the components listed as important data points to capture in transactions, however we do not see any reason to enlist the UTI to carry information which is already reported to trade repositories via other data fields and may be represented by the product identifier. Requiring many of these proposed “possible components” would (a) be duplicative and (b) not necessary for what we view as the primary purpose of a UTI. Furthermore, the inclusion of transaction specific data unnecessarily complicates UTI generation. Therefore, we do not advocate incorporating trade elements into the UTI value.

Instead, we support allowing the industry to continue the existing practice where generating counterparties ensure that the transaction identifier portion of their own UTI is unique. We recommend that a reference to the legal entity that generates the UTI (“Mint”) be included as part of the UTI Prefix construct, not the trade identifier portion of the UTI, for the purpose of ensuring uniqueness.

We have consistently been strong advocates of the work which the Financial Stability Board, LEI Regulatory Oversight Committee, and the Global LEI Foundation have done, as evidenced by our usage of the LEI as the foundation for our best practice UTI construct<sup>2</sup> since circa February 2013. Since the LEI is unique to each legal entity, it is well positioned to ensure that the UTI which is generated is unique; one of the proposed characteristics the Consultative Report provides in Section 2. We therefore support the usage of the LEI as the “Mint.” However, our strong preference would be that the LEI be used in the construction of the UTI Prefix, via an algorithm. Please refer to the Response to question 38 for further details.

Name	Description	Response
Jurisdiction	Represents the jurisdiction within which the UTI is to be used for reporting.	<p>We do not advise to include due to the complications that would arise. Examples include:</p> <ul style="list-style-type: none"> <li>* For trades which are cross border or multi- jurisdictional, having to note jurisdiction(s) as a component of the UTI value is difficult and may cause timing delay in generation.</li> <li>* It would be extremely difficult to note jurisdiction for nexus transactions.</li> <li>* A transaction may become reportable in additional jurisdiction(s) after the UTI is generated.</li> </ul>
Encoding scheme	A reference to the approach used to construct the UTI. The "approach" could represent an algorithm or set of rules that determined how the UTI was generated. Note that this is separate from identifying which legal entity actually generated the UTI (see Mint below).	<ul style="list-style-type: none"> <li>*Not needed on the basis that we support a UTI generated based on an agreed set of principles and attributes (see responses to Q36, Q38, Q40).</li> <li>* Possible algorithms to (a) generate the UTI and (b) one of more "possible components" listed adds layers of complexity which are not necessary to what we view as the fundamental business case use of the UTI.</li> <li>* Timing issues arise: may cause delays in generation of the UTI.</li> </ul>

Name	Description	Response (cont'd from previous)
Mint	Reference to the legal entity that generates the UTI.	<p>* We recommend that the Mint be included for the UTI generating party, however only as part of the UTI Prefix construct, but not the trade identifier portion of the UTI.</p> <p>* We support usage of the LEI, or some algorithmic version of the LEI, as a component of the UTI Prefix.</p> <p>* Since the LEI is unique to each legal entity, it can serve to ensure that the UTI which results can uniquely identify a trade, which we view is the fundamental purpose of a UTI. The LEI is the basis for ISDA's UTI Prefix construct<sup>2</sup>; we primarily support including the LEI in algorithmic form or as an alternative a full 20 character in the UTI construct.</p> <p>* Regarding the concern that some parties may not have an LEI on which to base a UTI prefix, we point to the broad requirement by almost all regulators for the use of LEI to identify the parties to or involved in a reported transaction.</p> <p>* Use of an LEI as a component of a UTI prefix reinforces the prevailing global standard for party identification.</p> <p>* Parties which may not be otherwise identified as a participant in a reported transaction but are well-positioned to generate UTI (e.g. middleware providers, affirmation platforms) will not be burdened by the requirement to obtain an LEI.</p> <p>* The LEI ROC is expected to release guidance shortly clarifying that individuals who operate a business will be eligible to register for a LEI. An individual who is not acting in a business capacity would not be eligible for an LEI, but then it is improbable that an individual would be subject to a reporting obligation, and instead will face a counterparty that has an LEI and is better positioned to generate the UTI.</p>
CP1, CP2	Counterparties to the derivative transaction.	<p>Adding both counterparties to the trade would give rise to additional complications. For instance:</p> <p>* The trade element is already reported elsewhere so would be duplicative to include in the UTI format.</p> <p>* Any error or change to one of the parties to the transaction would necessitate the cancelation of all prior reporting and re-reporting under the new UTI, which would likely be "late".</p> <p>* For bunched orders which may eventually be allocated to multiple accounts, not all accounts are known at time of execution. Requiring counterparty identification would cause a delay on UTI creation until all the accounts are known.</p>

Name	Description	Response (cont'd from previous)
Transaction date	Trade date	* This trade element is reported in other data fields; therefore there does not appear to be business justification to duplicate as part of the UTI.
ID value	A suitable value that is unique with respect to other ID values created by the generating entity	* This would require generating entities to track ID values. * If the purpose of the ID value is to ensure uniqueness of the UTI, we believe that a prefix specific to the UTI generating party paired with a unique transaction ID is a reliable and efficient method. This current industry practice is an established and socialized standard to create a unique UTI. Leveraging the existing standard would allow the industry to save cost and time and avoid a difficult transition between methods with no discernable benefit. We appreciate that that changes to existing UTI build may be necessary, but such changes should be adequately justified as superior to existing methods such that they warrant their associated cost and effort.
Package component suffix	A value that maintains the uniqueness of UTIs for the components of a package, while allowing the rest of the UTI (without the suffix) to remain the same and thus achieve a link through the UTI.	* We are not in support of the idea of a package component suffix as a UTI component. *This imbeds the UTI with transaction-specific information that is better represented by use of a Link ID. *Increases the chance for error in UTI generation by complicating UTI creation logic.

**37. Would it be useful or necessary to include check digit(s) in the UTI? Why?**

To avoid extending the UTI in length with characters which may be of incremental benefit but not a necessity, we do not believe including check digit(s) is essential. Also, as the process to generate UTI is likely to be highly automated, the potential for erroneous UTIs would be low. We believe keeping the UTI a manageable length is important for ease of transmission, data integrity, and user-friendliness.

**38. Which components, if any, should be included in the UTI? Which components, if any, should be used in UTI construction but not appear in the UTI? In answering this question, consider both the components listed in the table above or suggest other components as necessary. Please explain how the particular components contribute towards meeting the characteristics set out in Section 2?**

We are supportive of using the LEI of the UTI generating party (e.g. possible component "Mint") to construct the UTI prefix for the primary reason of ensuring uniqueness of the UTI, one of the characteristics CPMI-IOSCO set out in Section 2. Since the LEI is unique to each



legal entity, it is well positioned to ensure that the UTI which is generated is unique. However, our strong preference would be that the LEI be used in the construction of the UTI Prefix, in the form of a 10 character algorithmic derivation<sup>2</sup>. We believe that a UTI constructed using a 10 character Prefix algorithmically derived from the LEI coupled with a unique transaction identifier of up to 42 characters fulfills the proposed characteristics set out by CPMI-IOSCO in Section 2. As examples:

- Neutrality - UTIs which result using this approach are jurisdiction agnostic, can be used across different jurisdictions, including those which may onboard in the future.
- Uniqueness - as explained in our response to questions 36 and 38.
- Consistency - The algorithm generates the same UTI Prefix for a particular LEI each time, so the characteristic of consistency of a UTI for a transaction is sustainable using this approach.
- Easy and timely generation - Due to the availability of the algorithm publically, the UTI Prefix is able to be generated individually by any party who requires. However, the benefit of a centralized service is to provide an easy and fast way to generate a unique UTI Prefix as well as check against legacy Prefixes to ensure the UTI is unique.
- Respecting existing UTIs - A UTI with the algorithmic 10 character UTI Prefix allows for legacy UTIs and can check for clash against legacy UTIs by checking for clash against known UTI Prefixes.

Secondly, since the 10 character Prefix algorithmically derived from the LEI<sup>4</sup> is already being practiced, its continued use carries the added advantage of allowing a substantial number of market participants to leverage existing builds and processes, thus saving cost, effort and time which could otherwise be used towards other vital harmonization efforts such as product identifiers and other data elements.

However, we recognize that the 20 character LEI as a successful standard may have proponents for its use in the UTI construct. We therefore would also support, in the second instance, a UTI format with the 20 character LEI appearing as the UTI prefix plus a transaction identifier of up to 32 characters. Please refer to our question 47 response for more detail on UTI character length.

Please see our response to question 36 for comments on individual components.

**39. Should the UTI be solely a dummy code, i.e. a value that contains no embedded intelligence? Why or why not? Assuming that other data elements regarding a transaction (e.g. the identification of the counterparties, the date and time of execution etc.) will be captured by the report to the TR, is it necessary to reflect such elements in the UTI?**

Please see response to question 36 and the Preface of our letter. We are not able to envision reasons why the UTI should carry trade elements which are already reported in data fields provided to the TR. The role of the UTI has not been to communicate or deliver a package of information from point to point as it is communicated; rather the role of the UTI is allow for a transaction to be uniquely identified. Intelligence is not fundamental to this primary role. Secondly, embedding intelligence into the UTI would add a layer of complexity to industry builds, thereby expanding costs, lengthening implementation timelines. An intelligent UTI would also increase the chances of error in UTI generation and necessitate the need for rules

pertaining to the replacement of a UTI in the event of a change to one of the relevant components and result in the cancelation and re-reporting of the transaction.

**40. Should the details of how to construct the ID value be defined and, if so, what approach (e.g. UUID) should be used?**

The UTI should be generated based on the principles and attributes agreed by the industry, as summarized in the response to questions 36 and 38.

**41. How important will it be to be able to distinguish “new” UTIs from “legacy” UTIs? Assuming that the trade report includes the date and time of execution, would it be necessary to embed the indication in the UTI itself or should the indication be explicit in a separate field.**

We do not believe there is any necessity or value to distinguishing between new and legacy UTIs. The purpose of the UTI is to uniquely identify the transaction. This has been done successfully by the industry so far and could be done so under the guidance of the Harmonisation Group without any extraneous requirement to identify the method. Regulators should not require any indication in either the UTI or in a separate field as to whether a UTI is a new or a legacy UTI.

**42. Is it necessary or practical for the UTI to include a Mint field? If so, is the use of the LEI appropriate for the Mint field in the UTI? Are there other values that could be considered for this? What issues would arise in this case? How should cases where the Mint entity doesn't have an LEI be handled?**

Please see our response to questions 36 and 38. In cases where entities do not yet have an LEI, public sector organizations working to set standards, such as CPMI-IOSCO, could stand together as a united front to strongly recommend that at a minimum all legal entities involved in financial transactions obtain an LEI. We also note that in cases where entities do not have an LEI, they are not likely to be trading the financial instruments pertinent to this Consultation Paper, or are in the process of obtaining an LEI or planning to obtain one. Incorporation of the LEI as part of a global UTI standard supports the global LEI initiative and reinforces the efforts of global regulators to require party identification via use of LEIs.

**43. What issues would arise from using the suffix UTI component to link the reports of components of a package?**

Please see our responses pertaining to packaged transactions, questions 3-7.

**44. Will the inclusion or not of certain components set out above in the UTI require changes to respondents' systems or other systems on which you are dependent? How much change?**

With the exception of use of the LEI (as “Mint”), as previously described in the response to questions 36 and 38, the inclusion of the other possible components listed would require material changes to system builds. Within firms, changes to back and middle office systems will be needed, as well as front-office systems, depending on how deeply business conventions are changed with respect to the creation and communication of UTIs. In addition, inter-organizational systems will be impacted to enable the communication of UTIs

with the additional components to occur seamlessly. Since more complex transactions may touch upon several asset classes (e.g. one trade may involve credit, FX, and rates), the UTI may have to pass through a complex web of interconnected systems which may include systems which are specialized in one particular asset class. Therefore, the changes will require a substantial coordinated effort in both timing and compatibility of the changes.

The logic to create a UTI should not be subject to dependencies on component data and the related booking systems, rather UTI should be capable of being generated independently.

**45. Are there any issues in having an “intelligent” UTI? What are respondents’ views on the potential solutions to these issues? Are there alternative ways of dealing with this?**

UTI should be generated based on the principles agreed by the industry and must be unique. We believe that generating an 'intelligent' UTI is unnecessary as the UTI should ultimately act as a primary key to uniquely identify a specific trade. Please refer to our responses to questions 36-38.

**46. Can respondents suggest algorithms that would achieve the Option 3 approach to generating the UTI?**

Please refer to our responses to question 23 and question 30. We are unaware of a viable algorithm to achieve Option 3, do not believe an algorithm can be developed that is suitable to the entire OTC derivatives market, and do not support this approach.

**J. Format (allowable characters and length)**

**47. What are respondents’ views on the lengths of the various potential components of the UTI (assuming that they are included directly in the UTI) and hence the length of the overall UTI?**

Our strong preference is for the UTI to be of variable length up to a maximum of 52 characters, with no padding. This would apply for both the 10 character Prefix or 20 character Prefix scenarios as noted in question 38. A variable-length is preferred since requiring a fixed-length UTI would cause issues for previously generated UTIs, although we note that the Harmonisation Group’s guidance is indicated as a forward-only basis solution. In addition, use of a variable-length UTI would allow a greater ability for parties to leverage existing builds for generating and retaining UTI.

**48. Should the UTI be case-sensitive (allowing for upper- and lower-case characters to be regarded as distinct)? Should the UTI avoid using certain alphanumeric characters that resemble others? For example, do you think it advisable for the UTI system to avoid using the digits “0” and “1” so as to avoid confusion with the letters “O” and “I” (or vice versa)?**

We support use of only capital letters in an alphanumeric string for the UTI. Allowing upper and lower case to be treated as distinct from one another leaves the door open for errors, since not all systems distinguish between lower and upper case, or treat lower and upper case as distinct from one another. It would be difficult to ensure that all systems globally

would be able to do so. If the UTI is case-sensitive, a system which is not designed to be case-sensitive would take the UTI in as all capitals, resulting in a different UTI for the same trade. In addition, usage of case-sensitive UTIs increases the chance of error during communication of UTIs, and any manual entry which may be needed.

**49. Should other characters be allowed in the UTI beyond those proposed? If so, which ones and why do you recommend them? Could all jurisdictions and languages readily accommodate these characters?**

We support the use of alphanumeric characters only. We do not recommend the use of additional characters, including but not limited to \_ (underscore), . (period), - (hyphen), "" (quotation), or : (colon) to be added to the UTI. Characters aside from alphanumeric could cause transmission issues as the UTI is communicated onwards, depending on the character, and may not be available in all languages and thus on all keyboards. A specific example would be the . (period), which causes issues when transferred into a TR via Excel.

**50. Should separators between different component parts of the UTI be used? Why or why not? If so, which separators and why do you recommend them.**

Extraneous symbols, blanks, and punctuation such as separators may cause an issue in the creation, communication, and electronic transmission of the UTI as it exchanges via multiple hands, systems, and jurisdictions which may interpret certain symbols differently. In particular, separators may be viewed by some as a means of separating components due to space and field constraints as opposed to an actual part and parcel of the identifier, possibly resulting in a different treatment of the UTI upon onwards communication of that UTI.

**51. Should the length of UTI be of fixed or should only the maximum length be indicated?**

Please see our response to question 47.

## **K. Implementation**

**52. Do respondents agree with the proposed implementation approach? Is there a risk that a newly generated UTI would have the same value as an existing UTI as a result of these proposals? Is it possible to estimate the size of this risk? What problems do respondents see regarding "legacy" UTIs under this approach?**

Yes, we agree with the proposed implementation approach in the consultation. Any new approach to UTI construct should be vetted for the potential to clash with existing UTIs based on regulator specific USI/UTI standards and existing industry standards. Beyond that, we agree that TRs would prevent use of a duplicate UTI if sent to the same TR; though this could not be assured between TRs.

We agree with and appreciate the clarification provided that there should not be a requirement to change UTIs that have already been issued to confirm with the new approach. The Harmonisation Group's guidance should be explicit on this point.

With respect to implementation, it is important that there be a coordinated industry transition to any new approach. We recognize that regulators may need to amend their

rules or issue guidance in order to adopt the recommendations of the Harmonisation Group. A transition to a new approach should be coordinated between regulators and the industry once any necessary regulatory changes have been made. If the Harmonisation Group's recommendation aligns with current industry standards that evolved in absence of regulatory endorsed standards, then the transition may be limited to certain market participants that implemented only jurisdiction specific or their own proprietary approach. If the Harmonisation Group recommends an entirely or significantly different approach, then the industry will need significant time to rebuild, test and implement such solutions and carefully coordinate a transition to avoid gaps or duplications in UTI generation.

We encourage the Harmonisation Group to align with current standards to the greatest extent possible to reduce the cost and effort to change existing industry builds across market participants. Changes should have substantive benefit to justify the cost and effort.

## **L. Table of lifecycle events that could affect the UTI**

- 53. Are the descriptions of lifecycle events complete and sufficiently defined? In particular, are there differences between novations and assignments that are not captured in the table and which are significant for UTI generation? Are the conclusions as to when a new UTI is required correct?**

As referenced in our answer to question 8, novations are standard practice in the OTC derivatives markets rather than assignments. There is no applicable distinction regarding the treatment of UTI that should be highlighted by the Harmonisation Group between these in its guidance.

### 3 Conclusion

The Associations and their members recognize the importance of the Harmonisation Group's work towards global data harmonization, and strongly support the initiatives of CPMI and IOSCO to promote global standards for OTC derivatives reporting. We would like to reiterate our appreciation for the opportunity provided by CPMI and IOSCO to respond to the Consultative Report with our feedback and proposals. We are happy to discuss our responses and to provide any additional information that may assist with your consideration of these important matters. We look forward to the formal recommendations which CPMI-IOSCO will make as a result of the Consultative Report.

Thank you for your consideration of these very important issues to market participants. Please contact ISDA staff if you have any questions or concerns.

Sincerely,



Scott O'Malia  
Chief Executive Officer  
International Swaps and Derivatives Association, Inc.



David Schraa  
Regulatory Counsel  
Institute of International Finance



Richard Metcalfe  
Director, Regulatory Affairs  
The Investment Association



Kenneth E. Bentsen, Jr.  
President & CEO  
Securities Industry and Financial Markets Association



## **ABOUT THE ASSOCIATIONS**

### **The International Swaps and Derivatives Association**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 68 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: [www.isda.org](http://www.isda.org).

### **Securities Industry and Financial Markets Association**

SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

### **Institute of International Finance**

The Institute of International Finance is the leading global association of financial institutions, with close to 500 members from more than 70 different countries. Our members include banks, insurance companies, asset managers, sovereign wealth funds, pension funds, central banks, and development banks.

Our mission is to support our members in prudently managing risks and to advocate for regulatory, financial, and economic policies that are in the broad interest of our members and that foster global financial stability and sustainable economic growth.

### **The Investment Association**

The Investment Association is the trade body that represents UK investment managers, whose members collectively manage over £5.5 trillion on behalf of clients.

Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so that everyone prospers.

Our purpose is to ensure investment managers are in the best possible position to:

- o Build people's resilience to financial adversity
- o Help people achieve their financial aspirations
- o Enable people to maintain a decent standard of living as they grow older
- o Contribute to economic growth through the efficient allocation of capital

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks & shares ISAs.

The UK is the second largest investment management centre in the world, after the US and manages 37% of all the assets managed in Europe.

Our [website](#) includes an [area for consumers](#) which explains why it's important to invest and how you can invest in a fund.

More information can be viewed on our [website](#).