

Word of welcome by Klaas Knot, GUUG-CPMI-IOSCO HG workshop –  
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Welcome to you all here at De Nederlandsche Bank.

Welcome to this highly relevant workshop. Today you'll be paving the way for an optimal governance model for the Unique Transaction Identifier, the UTI. That's quite a challenge. For without an effective and efficient governance we cannot ensure a globally consistent high quality of the data used in the industry.

And high-quality data are just what the industry and regulators alike urgently need. Since being a member of the Financial Stability Board, I have become increasingly aware of this. For both the public and private partners attending today, I won't need to stress the great benefit that high-quality data will bring.

Ever since the 2008 crisis, OTC derivative counterparties have been facing a rise in the burden, and consequently, cost of mandatory reporting.

A trend that is the effect of bad quality data.

This trend can be reversed once we have UTIs in place, along with Unique Product Identifiers, which will be briefly discussed as well today.

For then a trade report will be suitable for use by various regulators as well as for micro- and macroprudential analyses. High quality data are independent of jurisdictions. If designed and implemented well, we can finally match transactions between counterparties on either side of the Atlantic.

Supervisors with a microeconomic scope need high-quality granular data.

And international regulators want the full picture, based on high-quality aggregated data.

Evidently, regulators and the industry both need financial data that are comprehensive in scope on the one hand and detailed enough, on the other. Detailed enough for assessing and monitoring risks and vulnerabilities on the part of counterparties and on that of the financial system.

High-quality granular data fit for aggregations can provide the analytical input policymakers require to make informed decisions.

In order to serve this purpose, the data must have the right scope, be easily accessible and meet the highest quality standards.

The Legal Entity Identifier project is a case in point. Finally, here's a global register for identifying all counterparties active on the OTC markets; a register that can be used by both the industry and all regulators.

So, ideally, the governance structure you are building today, should ensure we can continue to have usable and reusable high quality data.

And once the core transaction details of all OTC derivatives are kept and stored by Trade Repositories all using the same high-quality data model, the reporting burden will not just cease to grow; it will even decrease, as the TR-data may then serve various regulators. And we, as FSB, will be able to ascertain precisely which transactions have taken place, and how exactly they should be aggregated, which now can still be 'a bit of problem'.

We can only measure the size of a global market if we use a uniform measuring method everywhere, thus ruling out the risk of double-counting owing to a lack of unique numbering or overlapping product definitions.

It being a foregone conclusion that further use of bad data quality will only add to the regulatory reporting burden, we must lose no time and join forces, not only to enhance the quality of the data used in the trade reporting, but also to ensure they are globally consistent.

And that is why you are here today! This is where you come in!

For UTI is a critical data element in making the global OTC derivatives markets transparent. For this reason it is vital that you, the regulators and private sector representatives gathered in this room, are going to pay particular attention today to the governance aspects of the UTI.

As you will no doubt be aware, work on the governance of the UTI is already underway. Last month, the FSB launched a consultation on proposed governance arrangements for the UTI.

Later this year, similar proposals for the Unique Product Identifier will be put out for consultation.

But, welcome as this development may be, I would add that the proposed arrangements should be considered with great care.

For, as probably no one knows better than you, the world of hedging and related derivatives is changing continuously.

Governance mechanisms must therefore be designed to ensure that the reporting framework can cope with those changes in order maintain a high data quality level.

I hope that with this caveat in the back of your minds, you will collaborate successfully in today's workshop.

And that you will do so in the knowledge that the fruit of your efforts will be for the benefit of both the private and public sectors, both authorities and counterparties, if only by helping to reduce the reporting burden.

As a member of the FSB, I would like to thank you in advance for your effort to make our work easier and – possibly – more effective!

Thank you.