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To: CPMI Secretariat

IOSCO Secretariat

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RE: Harmonisation of the Unique Transaction Identifier, Consultative Paper

To Whom It May Concern;

Bloomberg appreciates the opportunity to provide consultation on this topic, as well as the approach CPMI-IOSCO has taken is gathering industry feedback in regards to global regulation affecting the industry. We believe that the harmonization, where possible, of processes, approaches, principles and underlying data and semantics is key to providing transparency in the industry, assisting regulators in having a unified view regardless of jurisdiction, and will help drive efficiency, savings, and far reaching benefits for the industry as a whole.

In this regard, please see our answers to the questions below. We have attempted to take a holistic view of the industry and what would be of benefit to the community at large, as opposed to any one sector or particular interest group.

Thank you once again for this opportunity, and we remain available at the provided contact details to clarify any responses provided below.

First, you your over-arching topic questions;

i. Which OTC derivatives transactions should be assigned a UTI?

All OTC Derivatives transactions should have some level of a transaction or trade identifier assigned.

ii. Which entity or entities) should be responsible for generating UTIs in practice?

We believe this would depend on the transaction. Where a OTC Derivatives transaction is traded on a SEF (Swaps Execution Facility) and/or cleared through a CCP, the first entity to record such a transaction or trade should be responsible for generating that identifier.

Naturally, both counterparties to the transaction or trade will also have their own identification methodology to record the event internally. In cases where a SEF or CCP is involved, those parties to the transaction should ensure that the industry infrastructure's identifier is carried as the primary ID for communicating about the transaction.

Where a transaction is truly bilateral, the party initiating the transaction should issue some level of control identifier in line with a UTI.

iii. What should be the structure and format of a UTI?

We believe that good data science and the future of data governance is in the use of semantically meaningless identifiers that are used as a key to point to a set of metadata. More important is defining what data elements are necessary for a trade or a transaction to be considered complete. Next, it is important to understand where the differentiation between a trade and the instrument being traded exists. And once again, the difference between the instrument being traded, and the classification of the type of product/asset that instrument represents.

iv. What steps would help to ensure that UTIs generated under the new guidance are distinct (to the extent necessary to achieve aggregation) from those UTIs generated under existing regimes

In regards to UTI, transaction identification is fairly mature in other asset classes, and following the learnings and lessons from those processes would be recommended.

Question 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.

There are known regulatory schemes for transaction reporting in place today throughout the industry. Care should be taken to prevent double counting, or improper 'painting the tape' abuses. None of the differences about what is a reportable transaction should impact UTI generation. Creation of a transaction and/or trade identifier should be independent of the regime requiring or not requiring official reporting of that trade and/or transaction.

Question 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).

Question 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?

For simplicity, consistency across jurisdictions (regardless of the regulatory requirement) and enable flexibility into the future in the case that requirements change, it is suggested that a unique trade/transaction identifier be assigned to both a package level, as well as component level transactions.

Additionally, a methodology should exist to ensure these ID's remain linked and associated.

In this way, firms globally will follow a single methodology, and can leverage the benefits. While this implementation may be slightly more work up front to implement, it will ensure that IDs exist at both levels.

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

Option (ii) is preferred – this follows common practice for the referencing of related transactions in other asset classes, and removes any dependency on creating 'intelligence' inside any UTI structure or methodology.

Question 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?

Option (ii) possesses the most flexibility in providing audit trail and traceability. Reliance upon any kind of UPI, as in Option (iii) would be imperfect and require use of unrelated data. Option (i) presents problem in case any aspect of transaction changes, forcing changes to the UTI, and the embedded "package identifier", potentially forcing renumbering/reallocation of new UTI's unnecessarily.

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

Option (i) – complexity caused in the case of new UTI's required due to non-life events on either package or components. Complicates UTI generation, requiring intelligence in UTI's and need to keep those assigned ID's in synch.

Option (iii) – would not accomplish goals of keeping transactions linked

Question 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.

Variations on Option (ii) should be explored, especially current solutions for identifying Block Trades and allocations.

Question 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.

There should be a process where 'associated' trades can be identified, where a new UTI is being created in reference to another trade. i.e. Event Types;

Full Unwind, Partial Unwind, Contract Stemming from another Contract

Clearing Events

New Trade as result of Compression

Prime Broker

Novation

Assignment

Succession event

However, some events may instead fit into a 'parent-child' relationship view, akin to the package trade issue. When a trade is allocated, it is agreed that new UTI's should be generated for each individual allocation. However, it is common practice in other asset classes to keep the original 'Block Trade' reference, and relate the allocated pieces to that parent Block.

Question 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?

Any differences between jurisdictions would cause more concerns than simply 'double counting.' Trade lifecycle operations would be significantly impacted and potentially result in multiple 'alternate lifecycles' existing for the same transaction. This would vastly increase operational complexity and introduce significant risk into the industry, regardless of reporting issues.

Question 10: Do respondents agree with the analysis of linking related transactions through lifecycle events?

Yes.

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

Not at this time.

Question 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.

There are some situations that would potentially cause confusion, but could be managed depending on how this is implemented. If there were specific meta data fields that have very specific purposes for identifying 'successor' transactions, there would still need to be some indication on if the prediceeding transaction was still 'active', either in whole or partial.

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

This is commonly solved through use of specific data fields

Question 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?

Option (iv) would leverage more modern concepts and provide more flexibility for the future. Option (iii) would be the next best solution. Option (ii) appears to have too much variability and optionality and would be subject to interpretation on how individual firms may implement.

Question 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?

Suggest a specific field to identify the type of event that formed the transaction.

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

The question should be asked; where does the original event occur that results in a transaction being created, or life event occurring that results in the need for a new transaction identifier.

If there is a specific Execution Facility, Exchange, or Central Counterparty the necessarily is the genesis of an event, it would be logical to use the transaction identifier generated by that entity. Where a transaction is truly bilateral, both parties would naturally create their own transaction identifier to track the activity internally. In these cases, either the buyer or seller could have sole responsibility for issuing the 'official' UIT, or this is where a central facility could be utilized for such a function.

Question 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?

Lack of harmonization between cross border and local rules for basic trade information will only serve to create bifurcated processes due only to underlying data schemes, as opposed to any real differences in how the transaction and resulting position should be treated.

Question 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.

Agree.

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

Cost. Generation of UTI, and use of UTI should not be viewed as a commercial enterprise in and of itself.

Governance. A firm, utility, or other industry body that is 'anointed' for generation of UTI should not be in apposition to unduly leverage such a position for other gains, or control of a particular function. Additionally, there should be established methods to re-assign responsibility or otherwise address issues where performance does not meet expectations and market needs.

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

Proper structure and setup should be able to address any enforceability issues.

Question 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?

Agree with Seller concept, especially where there is some ability to interact with a facility that will generate the UTI on behalf of the seller without an additional fee, perhaps even as part of the initial reporting requirement. This would also remove the need for Steps 1 or 5.

Question 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?

Agree on the flexibility.

Question 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?

Question 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?

Question 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.

Agree with assessment.

Question 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?

Without harmonization, there will be undue burden upon one or both parties to bilaterally maintain agreements, by relationship, on generation of an UTI.

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

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

Yes.

Question 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?

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

Theoretically, the assessment would be correct. However, the complexity of this solution could be daunting. While it could be possible, data consistency is already an issue and both parties could potentially arrive at different UTI's for the same transaction if there is some sort of data error, which would cause a cascading problem throughout.

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

Question 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?

Question 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?

Option 1.

Question 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.

Agreed

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

There is a role for a Registration Authority within standards generation. While there may be challenges present in a 'federated' RA structure, such as what had been chosen for LEI generation, there are also challenges where there is a singular, or strong central authority that acts as a RA. However, strict governing rules can be put into place to ensure a singular RA does not abuse its position, while, a federated model presents a more complicated governance problem.

Question 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?

Jurisdiction; It is unclear why it is important to indicate the jurisdiction within which the UTI will be used for reporting. This could cause multiple complications – such as multiple UTI's for the same transaction, depending on jurisdiction. A UTI should be unique to the TRANSACTION, not to the purpose of the function it is being used for (i.e. reporting to a specific party). A UTI should allow for identification of a unique transaction for multiple purposes, not be unique by purpose for a single transaction.

Counterparty; It would be important not to limit the number of counterparties identified, to allow for any potential future developments

ID value – it is unclear what this means and represents.

Package suffix – As noted previously, the use of a 'package suffix' would necessarily introduce intelligence into the UTI for packages. A meta data approach is recommended instead. That being said, some indication of being a package or part of a package would be a necessary part of any UTI identification.

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

As part of any randomly generated number, a check digit is a normal standard.

Question 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.

Question 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?

Data theory continues to evolve in this space. However, there are distinct advantages in utilizing a 'dummy code', especially given the state of technology today.

The report notes a number of issues with embedding intelligence in the transaction number, including security of information that may be proprietary or otherwise sensitive. Additionally, the impact of non-critical 'life events' could potentially force a UTI change where one normally would not be necessary.

Management of a UTI is complicated by the need to manage any data that is embedded within the actual identifier.

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

If the code contains no intelligence and is semantically meaningless, then this question does not apply. However, it should be clear that the rules for how and when a trade identifier is assigned should be clear and openly provided.

Question 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?

Care should be taken to define a scheme that would be unique from any schemes that would be considered "legacy." That being said, there may be a possibility that a 'legacy' UTI is, by chance, a duplicate of a 'new' UTI, yet represents a completely different transaction.

If care is taken in the definition of any 'new' UTI structure an assignment, this occurrence should be fairly rare and trying to prevent any small possibility would be more trouble and cost than it would save. Given the trade report includes time and date of execution, it should not be necessary to embed the indication – although presenting that indication in a meta data filed would be appropriate.

Question 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?

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

If the agreement is, in principle, to no include logic within the identifier, then this convenience would break that principle. An alternative would be to have meta data that indicates a package or child/component trade and associated references.

Question 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?

Question 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?

As discussed previously, the use of a semantically meaningless identifier creates a more flexible and 'future proof' reference tool. Additionally, the protection of private or semi-private data is better preserved through a non-intelligent UTI scheme.

'Intelligence' in an identification scheme naturally leads to users building systems and solutions based around the codification, parsing, and analysis of the identifier. By creating a UTI without intelligence, the solutions and systems can be unbundled from the identifier, and any necessary changes to the data associated with the trade can be made without impacting established systems and practices (within reason). If intelligence is embedded in the UTI, however, any changes to the underlying data that may change the creation of the UTI will create an unneeded re-referencing, akin to a life-event, and introducing operational risk unnecessarily.

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

Question 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?

There are standards in place for various established communication protocols that have limits on length currently. In the case where a semantically meaningless UTI is used, the length of the UTI would be more a function of mathematical optimization; i.e. what length would be unique from any other current schemes (to prevent any confusion/overlap), taking into consideration current length limitations in the most popular communication protocols (i.e. FpML, FIX, ISO15022, others), and yet still yield a universe that would allow for a virtual infinite number of available UTI's.

Question 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)?

UTI's should not incorporate case sensitivity and should eliminate any numerical/alpha overlaps that could cause 'visual' confusion. The purpose of the first point is to recognize that there are manual processes in place, and case sensitivity would unnecessarily introduce the potential for typing errors. The purpose of the second point is also to recognize the manual interaction – even if the UTI does not have 'intelligence', it will be read visually and shared, and therefore care should be taken to eliminate unnecessary causes of human error.

Question 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?

The character set should be limited to the standard alphabet and numerical digits. The use of other characters could impact systems and processes that are dependent upon 'special characters' for delimiters or other systemically-based indicators.

Question 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?

If there is no intelligence in the UTI, then separators should not be necessary, except to enable visual processing and rekeying tasks (ie. Breaking a 16 digit number into 4 groups of 4 digits)

Question 51: Should the length of UTI be of fixed or should only the maximum length be indicated?

Length should be fixed. This will assist in limiting associated errors.

Question 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?

Care can be taken to create an identification scheme that limits the potential impact on 'legacy' UTI's. There could be a process for legacy UTI's where any trade expected to remain 'open' past a certain cut-off date is automatically re-assigned from a 'legacy' UTI to a 'new' UTI.

Question 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?

Agree with proposal of life events identified to date.