Comments on the Consultative Report on Harmonisation of the Unique Transactions Identifier ("UTI")

This Memorandum sets out the comments from three banks incorporated in Singapore, namely DBS Bank Ltd ("DBS"), Oversea-Chinese Banking Corporation Limited ("OCBC") and United Overseas Bank Limited ("UOB").

We would like to thank the Committee on Payments and Markets Infrastructure ("CPMI") and Board of International Organization of Securities Commissions ("IOSCO") for giving us an opportunity to provide our comments on the Consultative Report.

We have listed our comments below, for your consideration please. Terms used herein which are not defined have the same meanings ascribed to them in the Consultative Report.

Should you require further clarification on our comments, please do not hesitate to contact any of the following representatives. Thank you.

- DBS – Mr Lawrence Chan, Managing Director, Treasury and Markets Business Management and Support (lawrencechan@dbs.com or +65 68782487)
- OCBC – Ms Evelyn Yeo, Global Treasury Business Management (yeohb@ocbc.com or +65 6530 6682)
- UOB – Mr Teo Yong Meng, Executive Director, Global Markets Business Management (teo.yongmeng@uobgroup.com or +65 65392996)

<u>Specific Comments</u>

3.1 Reportable Transactions

- There are invariably challenges in UTI generation due to jurisdictional differences about what is reportable transaction. The definition of an OTC derivatives contract in Singapore may differ from another jurisdiction, the same product may be reportable in Singapore but not in another jurisdiction. If the responsible party generating the UTI resides in a jurisdiction that does not require a particular product to be reported, but the counterparty has to report, this will result in delays or failures to generate the required UTI.

- We would therefore propose a harmonisation on the list of products that are to be reported across jurisdictions. Further global harmonization of rules defining reportable transactions will help overcome ambiguity in reporting, and simplify UTI generation and streamline reporting across jurisdictions.

3.2 UTI approach for reporting of 'package' transactions

- Where component reporting is used for 'package' transactions, UTIs should be allocated for each component for reportable transactions. In addition, we propose that the components of a package deal to have a common UTI and this will help to identify and link all components together. In the event different counterparties from different jurisdictions require different reporting (component vs package level), the trade repositories will be able match and pair up the UTIs.

Identifying package transactions

- We are preferable to Option (i) of having a UTI that was structured in such a way that the package transactions were inherently related. The booking methods of 'package' transaction vary from bank to bank, even for the same reportable trade. A counterparty may book the 'package' transaction as one trade while the other counterparty may book the 'package' transaction into multiple components. As there are many bespoke derivatives packages developed, it is not possible to standardise across the industry on how such 'package' transactions are being booked or reported between counterparties (as one or multiple components). Therefore, there should be flexibility to allow for both single and multiple components trade reporting in a 'package' transaction and link it to one common UTI. The linkage for the 'package' transaction may be by way of a common UTI with different suffixes for each component.

3.3 The impact of lifecycle events on the UTI

- In response to Question 8, we wish to seek clarifications if a transaction of a centrally cleared contract that is converted to a bilateral agreement requires a new UTI to be generated.

- In response to Question 12, we believe there may be practical difficulties that would arise from putting a successor UTI on a transaction that had been terminated. Trade repositories currently provides the reporting entity to elect either a "full file submit" or a "life cycle" reporting. For full file submit, when deals are terminated, they will not be included in the submitter's second day file and the trade repository will execute an "auto exit" function and assume that deals that are not in the second day file has been terminated. This would not allow the issuance of successor UTI for a transaction that has been terminated.

3.4 Responsibility for the generation of the UTI

- We prefer the third option – to have a UTI construct/algorithm that meets the authorities' characteristics, with consistency characteristic while not necessary harmonising the rules about responsibility for generating the UTI. Options 1 and 2 may pose practical difficulties, as there are many counterparties which are in jurisdictions that may not wish to follow the harmonisation rules or do not require UTI generation. For instance, counterparties from China and Indonesia are not subject to trade reporting rules or generation of UTI requirements. The responsibility for generation of UTI will be best handled through mutual agreements with each counterparty. Until there is a clear industry-wide agreement (across the globe), harmonisation rules in Options 1 and 2 may hinder reporting entities' ability to obtain or generate UTIs timely.

3.5 Timing of UTI generation

- On the assumption that the UTI construct and algorithm function effectively on reporting entities' systems, we propose that UTI be generated post trade execution and prior to trade reporting cut-off dates. This aligns with the respective jurisdictions' requirements for trade reporting and reduces administrative burden of having to generate UTIs at a different stage.

- However, concessions or exemptions should be made available for circumstances where UTI generation may require more time to generate. For such circumstances, post trade reporting should be allowed. For example, due to time-zone differences, trades which are executed cross-border with overseas counterparties may take over a day for an overseas counterparty to generate UTI. In Singapore, the trade reporting date is T+2, and any delay in generating UTI by our counterparties will affect Singapore banks' ability to report their trades timely, which consequently results in a breach of trade reporting requirements.

4.1 Proposed overall approach to UTI structure and format

- We are supportive of the UTI construct and recommended by ISDA[1], which specifies a UTI Namespace and a UTI reference. The namespace will be a unique identifier of the counterparty (for e.g. LEI) and the UTI reference is an internally generated transaction number that can be controlled within the UTI generator. The combination of both will ensure that they are unique with UTI generated by other counterparties for other transactions. The UTI structure should avoid referencing external sources so that there is no need to incur additional external dependency costs.

- Pre-fixing the identities in the UTI will also help to remove the need for UTI generating parties to coordinate number sequencing to ensure uniqueness. The uniqueness of each UTI is the sole responsibility of each UTI generating party.

- For bilaterally agreed UTIs, we suggest that a generated UTI combines or extracts from the seller/buyer trade references.

5 Implementation

- Given current diverse practices, we suggest respective trade repositories to reconcile existing UTIs against prescribed format to ensure that there is and will be no duplication before implementation. New UTIs may be generated to replace identified duplicates.

- We anticipate significant resources and time to be expended to implement UTI harmonization. These will be in the form of 1) system interfaces with participants (new and existing) trading, confirmation, clearing platforms; 2) field additions and changes; 3) UTI and data matching to identify duplicates, errors and omissions, 4) establishing processes and agreements in line with the eventual framework. As such, sufficient time needs to be given to market participants to implement any changes arising from the harmonization requirements.

[1] ISDA's Best Practice Approach to Global UTI (Nov 2012), ISDA's Global UTI Workflow Paper:"Unique Trade Identifier (UTI): Generation, Communication and Matching"

Other Comments

We would urge the CPMI and IOSCO, in the finalised guide, not to propose back-loading of UTIs for past transactions as it will add operational and cost burden to reporting entities and trade repositories.