Troussard, Philippe

From: Jackson, Kathie on behalf of CPMI, Service
Sent: 29 September 2016 18:00
To: Troussard, Philippe; Picillo, Cristina
Subject: FW: CPMI - IOSCO: Second consultative report on Harmonisation of the Unique Product Identifier , DL for comments 30 September 2016

-----Original Message-----
From: Hubert.Kretschmer@deutsche-boerse.com [mailto:Hubert.Kretschmer@deutsche-boerse.com]
Sent: 29 September 2016 17:22
To: CPMI, Service <cpmi@bis.org>; upi@iosco.org
Cc: Christiane.Baumgarten@deutsche-boerse.com; eva-maria.thurnhofer@deutsche-boerse.com; italo.di.lorenzo@clearstream.com; Patrick.Deierling@eurexclearing.com; Oliver.Haderup@eurexclearing.com
Subject: Re: CPMI - IOSCO: Second consultative report on Harmonisation of the Unique Product Identifier , DL for comments 30 September 2016

Dear Ladies and Gentlemen,

thank you for the opportunity to provide comments. Please find my comments below.

Best regards,

Hubert Kretschmer
Manager - Head of Unit
Business Consulting Reference Data & Regulatory Reporting Deutsche Börse AG
Mergenthalerallee 61
D-65760 Eschborn

Phone +49 69 2 11-1 51 64
Mobile +49 170 6356800
Fax +49 69 2 11-61 51 64
E-Mail Hubert.Kretschmer@deutsche-boerse.com
http://www.deutsche-boerse.com

Question 1: Do you believe that the data elements within each asset class described above are appropriate? Why or why not? If there are additional subcategories that you believe should be included for one or more asset classes, please describe them and discuss why you believe they should be included.

Answer: In general any options for early termination of a contract are not reflected in the data elements (e.g. a callable swap). It may be helpful to understand if a contract can be called be one of the parties or both parties.

Question 2: Do you believe generally that the value "Other" is required in certain data elements? If so, which ones and why?

Answer: The Value 'Other' is required on the level of asset class for e.g. structured products, in general on the level of "Return, pricing method or payout trigger" and on the level of underlying especially for commodities.

Question 3: For an OTC derivative product based on a custom basket of securities or assets, please provide your view of the optimal means of representing that OTC derivative product. Do you believe that it is practical to include all of the underlying securities or assets and their risk weights in the UPI reference data? If not, how do you believe that the elements of the custom basket and their risk weights should be reported to a TR?

Answer: Since the basket of securities or assets may change during the life-time of a product we do not believe it is practical to include this in the UPI reference data. It seems to make more sense to introduce a basket reference data base referenced by basket issuer and basket name which can be referred to in the UPI.

Question 4: How should underlying assets and reference entities be represented in the UPI data library? Would LEIs be suitable, at least for corporate reference entities? Why or why not? Are there suitable identifiers for indices? If not, is it feasible to use an existing identifier such as an ISIN code for them?

Answer: If an ISIN exists, it can be used. However, since ISIN is not open source, it should not be mandated to identify an underlying by an ISIN. Indices can be identified by the index issuer and the index name. For other underliers existing taxonomies like ISDA should be used. For baskets as stated above a basket issuer and basket name should refer to a basket reference database.

Question 5: Do you envisage any obstacles to including the source of the identifier for the underlier as part of the reference data element for the underlier? Please explain and justify.

Answer: -

Question 6: Could there be issues related to including proprietary benchmarks and indices in publicly available reference data or publicly disseminated UPIs? Please elaborate on any issues, such as licensing, that may exist.

Answer: -

Question 7: What are the arguments for and against the use of a dummy UPI code or an intelligent UPI code, or having both types of code coexisting?

Answer: An intelligent code would better support federated generation of new UPIs for new products. A dummy code would require some central UPI reference data source which would add considerable costs.

A combination of an intelligent code for the main product characteristics and a dummy code for the underlying or for the reference to a basket seems to be the most sensible solution.

Question 8: Do you agree that a well-articulated UPI reference data library could support interoperability between dummy UPI codes and intelligent UPI codes? Why or why not? What steps could be taken with the UPI reference data to facilitate supporting both types of UPI code?

Answer: As stated above a well-designed intelligent UPI code would not require a reference data library. In case a UPI reference data source is used it would not make sense to have both a dummy and an intelligent UPI code.

Question 9: What are the minimum and maximum lengths (in terms of number of characters) that you believe the industry could accommodate for a UPI code system? How does this vary between dummy and intelligent codes? What do you believe is the optimal number of characters, and why?

Answer: An intelligent UPI code would use one or two characters per level of the data elements and add a way of representing underlyings. This would result in ca. 8 to 20 characters without the underlying information. For underlyings a repeatable addition may be defined with 12-character ISIN or 20-character LEI for underlying/basket issuer and 50 character index / basket name . For a pure dummy code 12 characters should be sufficient.

Question 10: For intelligent codes, how should the information be encoded? Are there existing models for this? How much adaptation would existing models require in order to meet the needs described in this consultation?

Answer: Encoding could be done similarly to the CFI code.

Question 11: Do you believe that UPI codes should have an inherent means of validation? For example, should UPI codes include a check digit? Why or why not? Does this vary between dummy and intelligent codes and/or depend on the encoding method used in an intelligent code?

Answer: Given the automated nature of regulatory reporting we do not deem it necessary to add check codes which are rather relevant for manual procedures.

Question 12: Another means of having a simple, partial validation for a UPI code would be for all UPI codes to be of uniform length: thus, any code that was not of the required length could be recognised as prima facie invalid. Do you believe that all UPI codes should be of uniform length? Why or why not? Or are optimal UPI codes of one asset class likely to be longer or shorter than optimal UPI codes for other asset classes? If so, do you believe that extra dummy characters should be inserted into the shorter codes to make them of the uniform length? Why or why not?

Answer: The use of a constant length with potential dummy characters would be preferred for the part of the UPI not identifying the underliers.

Question 13: For an intelligent UPI code, how should underlying the asset (s) or reference entity (entities) be represented within the UPI code? Would it be preferable for the part of the UPI code that represents the underlying asset(s) or reference entity (entities) to be dummy while the rest of the code is intelligent? Why or why not?

Answer: The intelligent UPI code should include a dummy reference for single underlyings (e.g. ISIN, currency pair, LEI or other UPI) which would cover most standard products and dummy fields for basket underlyings.

Question 14: Should the UPI code system avoid using Roman letters? Why or why not? Are there particular jurisdictions whose computer systems cannot accommodate Roman letters?

Answer: Use of Roman letters is recommended to reduce the length of the UPI code.

Question 15: Would it be preferable for the UPI code system to use only Roman letters, only Indo-Arabic numerals, or a combination of the two? Why?
If Roman letters are included in the UPI code system, should they avoid being case-sensitive? If the UPI code system uses both Roman letters and Indo-Arabic numerals, should the system not disallow particular characters that could be mistaken for each other (the lower-case letter "l" and the number "1", the digit "0" and the upper-case letter "O" etc).

Answer: Use of A-Z and 0-9 would be preferred since this is the standard for other product identifiers like ISIN. Since use of the UPI is for automated processing a disallowance of mistakable characters would be rather impractical.

----- Forwarded by Hubert Kretschmer/DBAG/GDB on 29.09.2016 17:18 -----

From: "Troussard, Philippe" <Philippe.Troussard@bis.org>
To:
Cc: "Picillo, Cristina" <Cristina.Picillo@bis.org>, "Verinder Sharma (v.sharma@iosco.org)" <v.sharma@iosco.org>
Date: 22.08.2016 12:40
Subject: CPMI - IOSCO: Second consultative report on Harmonisation of the Unique Product Identifier , DL for comments 30 September 2016

Dear Sir/Madam,
This is to inform you that CPMI and IOSCO have published a second consultative report on the Harmonisation of the Unique Product Identifier:
http://www.bis.org/cpmi/publ/d151.htm ,
http://www.iosco.org/news/pdf/IOSCONEWS437.pdf .
CPMI and IOSCO seek comments by 30 September 2016. Comments should be sent to the secretariats of both the CPMI (cpmi@bis.org) and IOSCO (upi@iosco.org).
Best regards,
CPMI and IOSCO secretariats