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Committee on Payments and Market Infrastructures
CPMI Secretariat
cpmi@bis.org

International Organization of Securities Commissions
IOSCO Secretariat
upi@iosco.org

Re: Second Consultative Report – Harmonization of the Unique Product Identifier

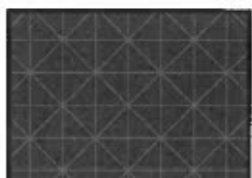
Dear Secretariats,

The Depository Trust & Clearing Corporation ("DTCC")¹ welcomes the opportunity to provide feedback to the Committee on Payments and Market Infrastructures ("CPMI") and the International Organization of Securities Commissions ("IOSCO") regarding the second consultative report on harmonization of the unique product identifier ("UPI"). As an operator of trade repositories globally, DTCC continues to collaborate with the industry and regulators to work towards establishing a globally standardized data reporting solution. We commend CPMI-IOSCO's leadership and continued attention to UPI and global data harmonization initiatives in general.

A globally consistent core set of data elements allows for a more complete and harmonized view of the over-the-counter ("OTC") derivatives market and facilitates efforts by regulators to share and aggregate data. It is well understood that the ability to standardize, access, share and aggregate data is paramount to global market oversight and global systemic risk analysis. Therefore, DTCC recommends that regulators agree to a standard approach for reporting an agreed core group of data elements, including a singular standard for UPI, in all relevant jurisdictions.

DTCC cautions that disjointed jurisdictional adoption of data standard initiatives for reporting will result in further fragmentation of trade reporting and will pose significant challenges for market oversight and data aggregation, thus jeopardizing the objective of significantly improving systemic risk monitoring. CPMI-IOSCO, trade repositories and industry participants can assist regulators by identifying key data standards for harmonization and aligning proposed standards to current market conventions. Once guidance on data standards is agreed upon and a governance framework is established to facilitate management of the global data set, a critical final step is for policymakers to ensure that these efforts are adhered to and implemented globally. Such an approach was successfully followed for creation of the global legal entity identifier ("LEI") standard, which resulted in the creation of a single standard now followed by industry participants, trade repositories and

¹ DTCC provides critical infrastructure to serve all participants in the financial industry including investors, commercial end-users, broker-dealers, banks, insurance carriers, and mutual funds. DTCC operates as a cooperative that is owned collectively by its users and governed by a diverse Board of Directors. DTCC's governance structure includes more than 300 shareholders. DTCC operates trade repositories serving seven different reporting regimes.



regulators in jurisdictions around the globe. Given that the LEI serves as a critical tool to aggregate risk exposures, monitor systemic risk and promote transparency, creation of an LEI standard was a significant step from a risk surveillance perspective. Similarly, the use of a singular standard UPI for cross-jurisdictional reporting would also facilitate risk surveillance efforts across the financial markets.

DTCC applauds recent data harmonization efforts undertaken by CPMI-IOSCO and encourages continued coordination with the industry and potential providers of a UPI solution regarding development of an effective UPI.

SPECIFIC RESPONSES

Please see below for DTCC responses to questions outlined in the CPMI-IOSCO consultative report.

With Respect to the Degree of Granularity for Identifying the Underlying Asset(s) or Index (indices):

- 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.**

DTCC defers comment to the practitioners in the industry who are best placed to evaluate the sufficiency of the enumerated fields.

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

Due to the evolving and bespoke nature of OTC derivatives, DTCC believes that the UPI should allow for the value of "Other." We encourage continued collaboration with the industry to define which scenarios the value of "Other" is most appropriately applied.

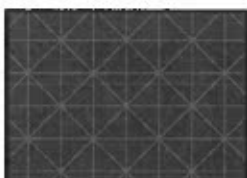
- 3. For an OTC derivative product based on a custom basket of securities or assets, please provide your view of the optimal means of representing that OTC derivative product. Do you believe that it is practical to include all of the underlying securities or assets and their risk weights in the UPI reference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

DTCC believes that embedding the information as part of UPI reference data will facilitate access to the information while streamlining validations, data reporting and improving the quality of the data by storing it in a centralized location. Currently, the inclusion of this information on a trade message – which DTCC notes can span thousands of values – brings complexity and additional costs due to the necessary validation and storage of the information which can be avoided by pushing the information into the UPI reference data.

Please note that the DTCC feedback above is provided from a technology perspective as a consumer of this information. However, DTCC will support a uniformly-accepted industry consensus.

- 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?**

DTCC strongly recommends the use of LEIs when available to represent the issuers of underlying assets and reference entities. If an LEI is unavailable due to a lack of a regulatory mandate for the particular legal entity to



have one, DTCC would adhere to the general consensus regarding representation of underlying assets and reference entities, provided that identifiers are freely available, standardized and harmonized globally.

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.

DTCC does not anticipate obstacles, provided that the publisher of the identifier does not have proprietary claims. We encourage regulators globally to continue to work to ensure that such information is made freely available for the purposes of mandated trade reporting.

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.

DTCC discourages use of proprietary benchmarks or indices in publicly available reference data and publically disseminated UPIs due to distribution constraints. If the UPI includes such benchmarks or indices, the provider of the underlying benchmark or index must be required to permit redistribution in a UPI format. Absence of such a requirement would create challenges for trade repositories as well as other data providers who provide public transaction level data.

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From Reference Data to the UPI Code:

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?

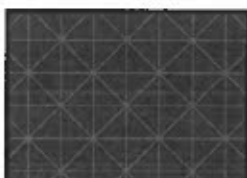
DTCC cautions against the use of an intelligent UPI and recommends utilization of a dummy format. DTCC believes that an intelligent identifier would pose challenges to both the generators and consumers of the UPI in ingesting and performing the necessary validations to ensure accuracy. An intelligent identifier may be inconsistently parsed by various consumers resulting in potential data quality issues. While potentially user friendly at the onset, an intelligent UPI is inherently inflexible due to its necessity to evolve to new bespoke products and the timeliness of its generation. For the aforementioned reasons and from a technical implementation perspective, DTCC recommends use of a dummy UPI code. DTCC notes that practicalities regarding issuance of dummy UPIs are best addressed by practitioners in the industry.

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DTCC encourages the continued consideration, through further consultations, of the appropriate level of granularity within the UPI to assist regulators in aggregating data at a meaningful level.

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?

Yes, DTCC agrees that a well-articulated UPI reference data library could support interoperability. As stated in DTCC response to Question 7 above, we believe use of a dummy UPI is the preferred coding method. A well-articulated UPI reference library would allow for a more seamless generation, transmission and consumption of a dummy UPI code.



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- 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?**

Provided that variables are not embedded, DTCC does not have a preference in terms of lengths. Trade repositories – including DTCC – should support a uniformly-accepted industry consensus.

- 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?**

DTCC believes that a UPI should be comprised of data elements that are constant and non-volatile as part of the continuation reporting. If the UPI is comprised of data elements that are subject to change throughout the trade lifecycle, this would pose significant challenges at aggregating data by the UPI across multiple timeframes.

DTCC is not aware of a comprehensive model for coding information within an intelligent code. DTCC defers comment to practitioners in the industry who are best placed to evaluate potential adaptations of existing models.

- 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?**

As stated in response to Question 7, DTCC recommends use of a dummy UPI code. Therefore, use of a check digit in a dummy UPI code would be unnecessary as the entire code would be used for validation against the master or authorized source. DTCC notes, however, that the provider of the UPI code would need to guarantee that the master or authorized source contains valid information matching the underlying code.

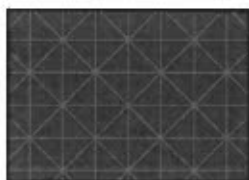
Please note that the DTCC feedback above is provided from a technology perspective as a consumer of this information. However, DTCC will support a uniformly-accepted industry consensus.

- 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?**

DTCC believes uniformity should exist across asset classes and products in terms of format and structure but not necessarily length of code. This would allow for a consistent stateless format validation that is agnostic of the product itself. DTCC would support the use of dummy characters to align the length of the UPI.

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- 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?

As stated in response to Question 4 above, DTCC strongly recommends the use of LEIs when available to represent the issuers of underlying assets and reference entities.

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?

Given that Roman letters allow for greater permutations of codes, DTCC does not believe that UPI codes need to be restricted to Indo-Arabic numeric values. However, DTCC advises against the use of special characters in defining the construct of the UPI.

DTCC's Global Trade Repository service supports reporting through registered trade repositories in seven reporting regimes. We currently utilize Roman letters and have not encountered issues or challenges in relaying this information to regulators globally.

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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).

DTCC does not believe UPI codes need to be restricted exclusively to Roman letters or Indo-Arabic numerals. A combination of the two allows for more flexibility and permutations of codes.

While DTCC is impartial to whether Roman letters are case-sensitive, we urge CPMI-IOSCO to provide explicit prescription as to whether or not case sensitivity is deemed as distinct.

DTCC has not encountered challenges resulting from characters being mistaken for each other and as a result, does not believe that significant attention is necessary regarding this issue.

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DTCC recognizes the challenges in effectuating global data harmonization and stands ready to assist CPMI-IOSCO in these efforts. We welcome the opportunity to discuss these comments in greater detail.

Yours sincerely,



Christopher Childs
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