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Committee on Payments and Market Infrastructures
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DTCC Comments

Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commissions ("CPMI-IOSCO") Consultative Report on the Harmonisation of the Unique Product Identifier (the "Consultation")

Dear Sirs,

On behalf of the Depository Trust & Clearing Corporation ("DTCC"), we welcome the opportunity to respond to the Consultation. As an organization that provides local and global trade reporting solutions for its customers and facilitates the supervisory duties of the appropriate regulators through access to this collated data, we fully support the efforts of CPMI-IOSCO to realize the G20 goal of reducing systemic risk through improved transparency of over-the-counter ("OTC") derivatives trading globally. It is our strong belief that a key component to transparency is the harmonisation of data elements such as the Unique Product Identifier ("UPI") and we applaud CPMI-IOSCO on taking the lead on data quality in general and on UPI specifically.

As previously described to CPMI-IOSCO in previous consultation responses, DTCC has observed instances in which different reporting requirements and obligations on a cross-jurisdictional basis present significant compliance challenges to, and raise costs for, market participants, infrastructure providers, and trade repositories. UPI, like UTI, is a perfect example of that. As of today, the various regulatory reporting regimes have created complexities in global reporting for OTC derivatives. The lack of any definitive and consistent guidance and agreement among regulatory regimes concerning UPI will hamper the ability to effectively aggregate data and will be a blocker to fully effective aggregation if allowed to continue.

We urge CPMI-IOSCO to continue its work in consultation and cooperation with the industry and potential providers of a UPI solution to provide clear guidance that can be utilized by the global markets in developing a workable UPI. It is only through such a collaborative effort that a UPI that satisfies the regulator needs to aggregate data for the purpose of determining systemic risk and to monitor market activity can be crafted at the appropriate level of granularity, with proper governance over how UPIs are created, modified and maintained and in a manner that does not impose insurmountable hurdles to implementation.

As a trade repository our interest is in being able to ingest and report data in the simplest and most efficient manner for the industry and regulators. Our responses therefore are limited to select questions, focused on providing DTCC's perspective on some of the challenges we have encountered to date, some of the solutions we have tried to implement and suggestions for the future.

If there are any questions or concerns regarding the contents of this response we welcome the opportunity to discuss these comments in greater detail if you wish.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'C. Childs', is positioned above a horizontal blue line.

Christopher Childs
Chief Executive Officer
DTCC Deriv/SERV LLC

Responses to Selected Questions

Question 3: *Is it valid to assume that the combination/set of data elements in the UPI classification system may differ across asset classes? If not, please explain and state how a uniform set of data elements could be comprehensively applied across asset classes.*

DTCC believes that the data elements in the UPI classification system will be different across asset classes due to the bespoke nature of certain products in particular asset classes, and, therefore, there would be no way of applying an absolutely uniform set of data elements across asset classes. If the data element set of the UPI was required to be consistent across all asset classes, DTCC believes this would pose a significant challenge from an implementation perspective. For example, given that there are specific data elements associated with a Credit Tranche product, maintaining a placeholder for the Attachment & Exhaustion points across products and asset classes where these fields don't apply would be cumbersome and inefficient. Thus, to accommodate uniformity, these placeholders would be filled with dummy values when not applicable providing no value or assistance in aggregating data.

Question 4: *Do you agree with this approach to the UPI's treatment of package trades? If not, please explain and suggest alternatives.*

DTCC agrees that there is no need to capture a Package Trade indicator as part of a UPI. Instead, a more efficient way of representing package transactions would be as part of the CPMI-IOSCO UTI linking proposal. This way, the UPI would remain more consistent yet the consumers of the data would still be able to easily identify the package transaction trades via a separate ID.

Question 5: *Are the principles and high-level specifications listed and described above comprehensive in representing the characteristics of a classification system? If not, are there other principles and high-level specifications that should be considered? Please list and explain.*

While the enumerated principles and specifications are very comprehensive, DTCC recommends that an additional concept be added addressing the potential concerns of the consistency of the UPI through the trade lifecycle. 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.

Question 7: *Could some of these principles and high-level specifications pose implementation challenges? Which ones and why?*

There are a number of challenges that can present themselves as a result of adopting the stated principles and high level specifications, primarily concerning timeliness of validation and the ability to extract UPI components into designated data elements. If the UPI cannot be satisfied with stateless validation requiring access to an external metadata source for validation, it will be a challenge to validate the UPI and report the relevant trade data in a timely fashion to satisfy any real time public dissemination requirements. In addition, the format and construct of the UPI will play a critical role in determining the practicality of trade repositories being able to extract the various data elements from the UPI if needed for other reporting.

Question 9: *As discussed in Section 3.5, should a classification system allow one or more of its data elements to take the value “Other” in order to incorporate new and/or highly bespoke products that do not yet have a more precise definition within the classification system? Why or why not? If not, how would the bespoke/non-standard products be treated within the classification system? What should be the criteria and processes for moving one or more data elements from “Other” to a more specific bucket? Should the volume of transactions that can be reported using these “Other” values be capped in order to maintain the precision of the classification system? If so, what would an appropriate cap be?*

The system should allow for the value of “Other”. DTCC recognized that there are a number of highly customizable and bespoke products that may need to be classified with a designated value such as “Other” at certain early stages. As the product matures and can be properly assigned into the classification system, the designated values need to be properly replaced. This update must only apply at the classification level and not with respect to already reported records. In these edge cases, once the product becomes properly classified, the new UPI must be reported on new trades going forward. Already reported records must remain under the old classification until maturity. If this is not adhered to, this will pose significant challenges to trade repositories in processing, maintaining and reported this data.

Question 10: *The results from the study presented in Annex 4 suggest that data elements that describe the instrument together with data elements that describe and identify the underlier may provide an optimal level of granularity for product classification. For informational purposes, beyond the use of a derivatives product classification system for the global aggregation of data reported to trade repositories, are you aware of product classifications for other purposes where this level of granularity is applicable? For example, what level of granularity is used for aggregating transactions to calculate a position, or to determine various risk exposures to a particular product? What level of granularity is used to aggregate transactions for the purposes of compression or netting operations?*

In processing transactions currently, DTCC currently utilizes the ISDA Taxonomy as the primary product identifier for all asset classes. In addition to the ISDA Taxonomy, DTCC leverages specific identifiers of the underlier that are being used in the market. These include ids such as RED, ISIN, CUSIP, RIC, BBG which are used for various regulator reports. When aggregating transactions to calculate a state of a trade, the following additional data elements are taken into consideration: Trade Date, Effective Date, Maturity Date, Notional Amount, Notional Currency, Counterparty Information as well as the Trade Identifier. To the bespoke nature of OTC derivative transactions, DTCC urges CPMI-IOSCO to carefully consider the level of granularity in a valid UPI. If the level of detail goes too deep, the number of UPI created will soar making aggregation difficult and in some cases not very informative.