



Securing Today. Shaping Tomorrow.

Broadgate West
7th Floor
One Snowden Street
London EC2A 2DQ
United Kingdom
cchilds@dtcc.com
www.dtcc.com

September 30, 2015

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

International Organization of Securities Commissions
IOSCO Secretariat
uti@iosco.org,

DTCC Comments

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

Dear Sir,

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 such as the Unique Transaction Identifier ("UTI") and we applaud CPMI-IOSCO on taking the lead on data quality in general and on the UTI most 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. UTI is a perfect example of that. While certain jurisdictions, have tried to coalesce around UTI requirements, the differences among the various regulatory reporting regimes have created complexities in global reporting for OTC derivatives. The disharmony among regulatory regimes concerning UTI will hamper the ability to effectively aggregate data and will be a complete blocker to such aggregation if allowed to continue.

As a trade repository ("TR") our interest is in being able to ingest and report data in the simplest and most efficient manner for the industry and regulators. We believe the answers to the UTI questions reside upstream from trade repositories at the point of creation of the UTI. Our responses are therefore limited and 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', written in a cursive style.

Christopher Childs
CEO
DTCC Deriv/SERV LLC

Responses to Selected Questions

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?

We agree with the approach for allocations of a UTI for each component of a package transaction. We believe that packages should have a single UTI in circumstances where each component part cannot be reported separately using the fields/templates of the TR. It should be noted that the lack of standardization of fields/templates across TRs and the method of booking transactions by reporting parties may cause identical packages to be reported in different ways resulting in differing numbers of UTIs per package.

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?

As a TR we favor using a Link ID to identify component parts of a package transaction. We believe this is the cleanest way to identify components and requires the least amount of work by the industry, i.e. creating a smart UTI or using a UPI which is not a unique identifier and would require harmonisation of values and a method for determining the value is unique. There are drawbacks to using the Link ID as well, such as the need for uniqueness by parties for counterparty pairs and additional fields.

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

DTCC believes a Link ID field is a good idea and is currently used today which should make it easier for submitters to adopt. The difficulties around the Link ID include the requirement that another transaction identifier be generated that requires uniqueness and harmonisation thus compounding the control issues surrounding the identifiers for a transaction. The use of a smart UTI creates implementing issues in that users need to have the means to generate a smart UTI. The implementing issues around using the UPI relate to the uniqueness and harmonisation of values.

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.

Additional clarity should be sought on industry standard transactions and how they map into the matrix shown in Section 8 of the Consultation. For example, an exercise of a swaption is considered an 'end of life' for the swaption and the new underlying swap would map to the 'Contract stemming from another contract' event type. This specific event is missing from the matrix or not explicitly listed.

- 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?**

DTCC has not encountered any jurisdictional conflicts with the definition of events that would require a new UTI to be created.

- 10. Do respondents agree with the analysis of linking related transactions through lifecycle events?**

DTCC agrees with the idea of linking prior transactions to subsequent transactions. DTCC believes it would be repetitive to have both predecessor and successor identifiers on a single transaction. DTCC would recommend a one directional linking between related transactions. (See our response to Question 13 for more detail)

- 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.**

For TRs, backward linking would require some field changes and function changes to allow for the placing of the Successor ID on the original transaction prior to it being terminated or by allowing for the modification of terminated transactions. Such systems changes are significant and would require additional time to be implemented.

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

DTCC proposes that the use of the Prior UTI (predecessor ID) remain for scenarios where the identifier maps as per the below:

- One to One (for example in an exercise)
- One to Many (for example in an allocation)

Where there is a relationship of Many to One (as in a compression), DTCC would recommend a linkage of the event through an Event Processing ID (successor ID). This would be a unique ID that would link many UTI's to a particular event.

- 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?**

DTCC recommends option 2 but with slight modifications as outlined in the response to Question 13.

Option 1 won't fit the many to one model. Option 3 is feasible but it would be more efficient to store an identifier linking multiple transactions from a storage and search perspective. Option 4 presents minimal value for the effort. The same result can be achieved by search functionality within a TR and does not need to be stored as a separate table. A TR's decision to store the data in this way would be a technical implementation decision, which should have no bearing on how

the trades are linked. To create a separate message would be more costly to maintain. Users currently do not typically have issue reporting this field on transaction messages.

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?

As noted earlier, creating a dependency between transactions to create UTI's will be cumbersome from an operational perspective and would lead to difficulties creating a UTI for dual sided reporting jurisdictions.

Overloading the UTI by making it intelligible will require enhanced validation and adherence to a specific format. A much more efficient and effective way of establishing logical groupings would be to leverage a dedicated data element.

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

Currently, DTCC's United States TR service encounters issues with reporting on a single transaction from 3rd party vendors and self reported trades. For example, SEF's have an obligation to generate a UTI and report on behalf of the reporting party upon execution. The reporting of continuation data is the obligation of the reporting party. Often times, the SEF and the reporting party are submitting a single transaction to the TR with separate UTI's causing duplicative reports. Rules should be tightly defined to require the party or parties which do not have the responsibility to generate the UTI to be provided with the UTI before any reports are sent to a TR.

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?

There would be disadvantages to an approach that was not consistent globally in almost all circumstances. It could be difficult for participants to determine whether a trade was cross border or not complicating the process of generating a UTI. Because of the nature of the global marketplace, a single jurisdictionally reported trade that would not be subject to cross-border regulation would be the minority case and a small percentage of the market and thus should not be exempt from global standards.

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.

DTCC agrees with the high level assessment of Option 1.

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 sufficiently defined? Are there alternative ways of achieving Step 6?

DTCC believes in the "first touch" approach: that is requiring the generation of the UTI at the earliest point feasible in the trade workflow. DTCC recommends the removal of Step 1 and 5 from the workflow. Bilateral agreements between counterparties are not iron-clad and

therefore open participants up to complication. Bilateral agreements can be complex and will vary dependent on the parties. A consistent rule on UTI generation would remove ambiguity and allow TR's to tighten validations.

On step 6, the industry has had difficulty in determining buyer where products do not have an industry standard buyer (specifically in Rates and FX asset classes). Another alternative could be to leverage another economic data point that is consistent and unambiguous as the basis for the rule for who generates the UTI. DTCC would recommend a rule set that can be easily understood and implemented by the industry. The remaining rules suggested in step 6 would be sufficient.

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 (e.g. as the first step in the hierarchy or further down the waterfall)?

Flexibility within the waterfall is not recommended. Flexibility on the generator of the UTI will lead to latency within the UTI generation process, and could also lead to a fragmented implementation which would result in operational complexities and additional cost for the industry.

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?

Modifications to the steps in Option 1 are mentioned in the response to Question 21; DTCC does not believe there is a need for additional steps.

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?

The rules will work across jurisdictions with the modifications mentioned in our response to Question 21. The inconsistency of single sided versus dual sided becomes an issue due to the timing requirements around reporting. Since the CFTC, Canada, SEC and MiFid will require reporting immediately after execution, the UTI needs to be generated by one side with no obligation to share it with the non-generating counterparty. If this trade is also reportable to a dual sided jurisdiction, UTI generators have to ensure the UTI is shared with the parties to the transaction. Often, separate identifiers are used for unique identification under each jurisdiction such as USI & UTI where TR's must consume and store both. Timing requirements of reporting should be harmonised in both single and dual sided reporting. As a result, the UTI can be communicated bilaterally regardless of reporting model and in time for reporting under all jurisdictions.

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.

DTCC does not agree with the principle listed under "Easy and Timely Generation". Under this principle it is noted that firms who have cross border obligations would have to understand the rules of the many different jurisdictions not only for themselves but also for their counterparties. This is the case today and it results in the reporting of more than one Unique Identifier such as a USI in the United States and a Trade ID (UTI) in Europe. This approach has caused issues within

the industry to date. Reporting the same transaction under variant ID formats can result in over reporting or double counting when performing global aggregation.

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?

DTCC does not think Option 2 is feasible. Ambiguity and diverging rule sets are the principle issues when addressing poor data quality. Today, ambiguity and inconsistent rules have lead to a data set that in its current form cannot be aggregated globally. DTCC would recommend a harmonised stringent rule set as suggested in Option 1.

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

In order to ensure compatibility on jurisdictional rules, an extended period of analysis, testing and increased engagement from all regulators will be required. These factors will impact the timeline for implementation.

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

Divergent rules, even if compatible, will create issues with enforceability, especially where one side has cross border responsibilities and their counterparty does not.

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?

As noted earlier, timing of reporting will need to be taken into account when harmonising rules in order to ensure the rules are truly compatible.

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

Option 3 in theory would ensure that UTI generation could be done independent of timing requirements or reporting model. The difficulty with this option will be in defining the details of the algorithm that ensures that the identifying features needed by the algorithm are not incorporated into the UTI construct.

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

There is a risk of duplicative reporting (resulting in over reporting) in the case there is a defect in an internal systems algorithm. There are many systems such an algorithm would need to be implemented in, which will increase the likelihood that one system does not arrive at the same algorithmically derived UTI as another for a singular transaction. This option requires the largest effort and expense for implementation, as it is a total rework of the existing workflow and requires the entire industry to build to. It does not re-use any of the best practices defined today. It will be challenging to educate the industry on this new process.

If there is an intention to use reportable attributes of the trade as part of the algorithm, similar issues that are currently seen in the ESMA Matching process will be encountered.

Issues currently present in the ESMA Matching process stem from parties reporting their side of the transaction in a different format or with different economic representations. The algorithm would need to leverage the details from both sides and simultaneously issue a Unique ID. If the details vary as they do today in the matching process, the algorithm would issue different UTIs for each side.

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?

There is another option of creating a centralized facility for UTI for situations where participants cannot easily create and communicate UTI's within the reporting timeframe. This facility would need to be independent of TR's and would need to be able to generate and communicate UTI's to counterparties in real time.

The central facility would most likely need to know some of the basic economics of the trade to ensure that the UTI was assigned appropriately, essentially re-building the matching process. Another alternative to the central facility would be to push all products to an execution platform or, where it cannot be executed on a platform, require users to match on a confirmation or matching platform. The closer to execution the UTI is defined the less issue users will have in reporting a unique ID.

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?

DTCC's preferable option would be option 1. This option leverages existing best practices and tightens the workflow where ambiguity currently exists. This solution could be implemented with minimal impact to existing systems and could be delivered in a reasonable timeframe.

As noted in the response for option 2, the ambiguity of this option will not progress a solution for the current UTI generation issue. It will leave the obligation on the participants to meld varying rule sets together and will result in a fragmented approach to generating UTI's by every market participant.

Option 3, which in theory seems the easiest to implement, it will be the most burdensome solution. It will force users to ignore any best practices already established for UTI generation and would force an extended and expensive build and testing period for all industry participants. This solution cannot be implemented in a timely fashion.

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.

We believe that the timing of the UTI generation has specific challenges where a cross jurisdiction trade is concerned. It will need to be factored in to any waterfall method to define the UTI generator, as they will always need to be from the jurisdiction with the earliest reporting requirement. This brings challenges as firms will need to know which jurisdiction reporting obligations their counterparty has.

- 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?**

DTCC believes that the UTI should not have any embedded intelligence. Intelligence will potentially require flexible formats/structures and will need to be validated. By creating a “dumb” ID, we can use it for its primary purpose: Identifying unique transactions between two parties. While not intelligent, there will need to be some characteristic of the UTI (such as the prefix used in the United States) to ensure uniqueness.

- 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?**

We do not think there is a need to distinguish new from legacy UTIs. Embedding a time into the UTI would prove to be cumbersome from a reconciliation perspective if the trade was not executed on a facility or platform. Parties may encounter difficulty on bilateral transactions as their systems may have their time out of sync. Hence, the time that Party A believes the trade was executed may not coincide with the time represented in the UTI which was generated by the other party.

- 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?**

DTCC believes that the UTI should not have any embedded intelligence. DTCC believes that adding intelligence to a UTI will require significant change in the validations of submissions as well as outbound reporting.

- 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?**

DTCC believes that the UTI should not have any embedded intelligence. If the UTI embeds full or partial components of the party or parties, there would be complications from the cross border perspective as to the disclosure sensitivity.

- 51. Should the length of UTI be of fixed or should only the maximum length be indicated?**

For consistency from both a technology and end user perspective, the length of the UTI should be fixed. This will also remove ambiguity as to whether the ID is unique or simply truncated.