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**Comments to the CPMI-IOSCO Harmonisation Group's consultative report "Harmonisation of the Unique Transaction Identifier (UTI)"**

To whom it may concern.

The DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main in Germany welcomes the opportunity to comment on the CPMI-IOSCO Harmonisation Group's consultative report "Harmonisation of the Unique Transaction Identifier" as follows:

**A. Introduction and summary of key observations and concerns**

The report outlines four points which it wants to seek guidance on. It misses one crucial point, which we consider much more important. We suggest a fifth point:

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“(v) What steps would ensure that generated UTIs can be easily transmitted to the other counterparty or how can both sides to a transaction generate the same UTI without further interaction?”

## **B. Responses to the consultative questions**

**Question 1: Are there jurisdictional differences about what is a reportable transaction that respondents believe will cause challenges for UTI generation? Please describe the differences and challenges.**

EMIR is unclear about so called "strategies" or "packages" and at once wants unique UTIs per transactions and to split up trades into their components. Nothing in the legislation mandates more than one UTI for the contract.

**Question 2: Are there further harmonisations (that could potentially be applied) to the rules that define which transactions are reportable that would reduce or eliminate the challenges around generating UTIs? In answering this question, please also describe the challenge(s) and identify the jurisdiction(s).**

No comment.

**Question 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?**

Under all circumstances, the entire package has to have a single UTI, as the package cannot be split up into separate trades.

**Question 4: Are there other approaches to UTI allocation for package transactions that should be considered? If so, please describe.**

No comment.

**Question 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?**

Components are different and the internal structure of a trade might not reflect the components. A simple, cashflow-based representation could be an alternative approach that might help represent the structure.

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

Please refer to our answer to question 5.

**Question 7: Please identify and describe any alternative approaches for identifying and linking components of packages that should be considered, focusing in particular on any impact they would have on UTI generation.**

At least for the EMIR regime, we see no legal mandate for splitting up a trade into multiple components.

**Question 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.**

Counterparty corrections must be possible. Especially in situations where one person can represent multiple counterparties, for example a funds manager, there must be a way to correct the counterparty to a trade without the need to generate a new UTI on both sides.

If the (LEIs of the) counterparties are part of the UTI, then obviously a new UTI will be needed when the counterparties change, but this is obvious when the UTIs get regenerated.

**Question 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?**

No comment.

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

Linking UTIs through lifecycle events is an interesting idea but cannot work if a transaction is tracked in multiple jurisdictions with differing needs for UTI generation. The "previous" and "next" UTIs will invariably differ between the jurisdictions which makes keeping track impossible.

**Question 11: Are there other cases to be considered in the analysis of linking related transactions through lifecycle events?**

No comment.

**Question 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.**

Adding a "successor UTI" to already reported trades is highly difficult in situations where there is no data entry for terminated transactions. A common dataflow is from trading system to reporting system. Adding a "successor UTI" requirement will need a backchannel from the reporting system to the trading system to push the information back to the trading system.

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

The obvious solution is to use the internal trade number for keeping track of the UTIs for one counterparty. The internal trade number can be used by the authorities to request information on the trade. It is obviously only unique for the relevant counterparty.

**Question 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?**

No comment.

**Question 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?**

Keeping a list of (all) predecessors for a trade is usually impossible. Not all parties to a transaction will have all UTIs available. For example, a transaction could result from a novation between three counterparties. As a result all three counterparties will now need to keep track of the UTIs of transactions they were never a part of.

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

No comment.

**Question 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?**

No comment.

**Question 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.**

These proposals do not address the problem of generating a UTI for a trade independent of communication. Generating a unique UTIs in itself is not a problem that needs a solution.

**Question 19: Are there additional considerations relevant to the Option 1 proposal for the responsibility for generating UTIs? If so, please describe.**

No comment.

**Question 20: Is a problem of enforceability created if the UTI was generated by an entity outside the jurisdiction of one of the counterparties?**

No comment.

**Question 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 defined well-enough? Are there alternative ways of achieving Step 6?**

No comment.

**Question 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?**

No comment.

**Question 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?**

No comment.

**Question 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?**

It might be necessary to set up more detailed rules regarding the responsibility to agree on the UTI generating party. It should be taken into account that the non-generating counterparty is highly depending on the generating counterparty. A reporting within the given time limit of t+1 can only be achieved if the generating counterparty communicates the correct UTI with enough time left for t+1 reporting to the non-generating counterparty. In case of a single sided reporting party there might be no communication processes existent that ensure a receipt of the required UTI in due time.

**Question 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.**

No comment.

**Question 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?**

No comment.

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

No comment.

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

This might lead to the challenge, that the UTI generating entity might be located in a country with a time zone different from the time zone in which the non-generating entity is located. This might lead to an excess of the reporting deadline  $t+1$ .

It should also be clarified what measures the non-generating counterparty has in case the generating party does not deliver the UTI on time or does not deliver at all.

**Question 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?**

No comment.

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

Option 3 might turn out as one of the most helpful approaches if the generation of the UTI is going to be kept simple. Complex generation methods might be misleading as there might be the need to monitor the correct application of the provided algorithm.

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

No comment.

**Question 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?**

No comment.

**Question 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?**

Mandating the ability to independently generate a UTI for any given transaction from the transaction data alone is the ideal approach. It removes the need for additional coordination during counterparty changes and lifecycle events.

Responsibility of generating a UTI is not a problem that needs solving if both parties are able to generating the same UTI.

**Question 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.**

It appears useful to harmonise the timing of the UTI communication, as there are different requirements on different counterparty sites. As a re-

sult, it is necessary to also harmonize the UTI generation. This seems to be crucial in avoiding “last minute” reception of the UTI from the generating counterparty.

**Question 35: Do respondents agree with the proposed overall approach to UTI structure and format? If not, please suggest alternatives that meet the characteristics?**

No comment.

**Question 36: Which of these possible UTI components, if any, are important and why? Is it necessary for the UTI to have any of these components? Question 37: Would it be useful or necessary to include check digit(s) in the UTI? Why?**

We welcome the approach of adding a version field that indicates the UTI scheme used to generate this UTI. Adding an ID Value runs counter to the ability to being independently able to generate a UTI from the trade information.

This approach should take into consideration that the above mentioned “Option 3: Independent generation of the same UTI” might require to exclude individual values from the generation process.

**Question 38: Which components, if any, should be included in the UTI? Which components, if any, should be used in UTI construction but not appear in the UTI? In answering this question, consider both the components listed in the table above or suggest other components as necessary. Please explain how the particular components contribute towards meeting the characteristics set out in Section 2.**

The fields should include

- Date
- Notional
- Currency 1
- Currency 2 (if applicable)
- Asset Class
- Expiry

**Question 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?**

A dummy code will not solve the problem of transmitting and coordinating the information.

**Question 40: Should the details of how to construct the ID value be defined and, if so, what approach (e.g. UUID) should be used?**

A UUID will not solve the problem of transmitting the UTI and assigning the UTI to the trade on the side of the non-generating counterparty.

**Question 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?**

No comment.

**Question 42: Is it necessary or practical for the UTI to include a Mint field? If so, is the use of the LEI appropriate for the Mint field in the UTI? Are there other values that could be considered for this? What issues would arise in this case? How should cases where the Mint entity doesn't have an LEI be handled?**

No comment.

**Question 43: What issues would arise from using the suffix UTI component to link the reports of components of a package?**

No comment.

**Question 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?**

No comment.

**Question 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?**

The idea that some kind of encryption could somehow prevent a third party from finding the original UTI is interesting. If the encryption scheme gives the same output for the same unencrypted UTI, it is trivial to generate all possible UTIs and find their encrypted UTIs. If the possible UTIs carry no intelligence, encrypting them makes no sense. If the possible UTIs carry intelligence, their encrypted versions can be used to infer the same intelligence. If more than one UTI maps to the same encrypted UTI, the concept of having unique UTIs has been destroyed.

**Question 46: Can respondents suggest algorithms that would achieve the Option 3 approach to generating the UTI?**

LEI of CP1 + LEI of CP2 + Date + Time

After the required clock synchronization according to MiFID II this could be an approach from which the Option 3 could become feasible. Nevertheless, there are some risks involved such as block trades carrying the exact same date and time or multiple trades per second. It is necessary to amend this approach by a further static detail.

**Question 47: What are respondents' views on the lengths of the various potential components of the UTI (assuming that they are included directly in the UTI) and hence the length of the overall UTI?**

No comment.

**Question 48: Should the UTI be case-sensitive (allowing for upper- and lower-case characters to be regarded as distinct)? Should the UTI avoid using certain alphanumeric characters that resemble others? For example, do you think it advisable for the UTI system to avoid using the digits "0" and "1" so as to avoid confusion with the letters "O" and "I" (or vice versa)?**

We welcome the approach of eliminating characters from the UTI which can be mistaken for others. The inclusion of both "O" (Oh) and "0" (Zero) characters in the LEI has shown the large potential for confusion when the information is keyed into systems manually. The letters "O" (Oh) and "I" (I) should be eliminated to remove the confusion with "l" (lowercase ell) and digits. The digits "0" (zero) and 1 (one) should be kept to allow for dates and internal reference numbers in the UTI.

**Question 49: Should other characters be allowed in the UTI beyond those proposed? If so, which ones and why do you recommend them? Could all jurisdictions and languages readily accommodate these characters?**

No comment.

**Question 50: Should separators between different component parts of the UTI be used? Why or why not? If so, which separators and why do you recommend them?**

No comment.

**Question 51: Should the length of UTI be of fixed or should only the maximum length be indicated?**

No comment.

**Question 52: Do respondents agree with the proposed implementation approach? Is there a risk that a newly generated UTI would have the same value as an existing UTI as a result of these proposals? Is it possible to estimate the size of this risk? What problems do respondents see regarding "legacy" UTIs under this approach?**

No comment.

**Question 53: Are the descriptions of lifecycle events complete and sufficiently defined? In particular, are there differences between novations and assignments that are not captured in the table and which are significant for UTI generation? Are the conclusions as to when a new UTI is required correct?**

No comment.

Kind Regards

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