

Eurex Clearing Response - CPMI-IOSCO Consultative report on the Harmonisation of the Unique Transaction Identifier

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.

For EMIR also Exchange traded derivatives transactions need to be reported as opposed to Dodd-Frank. This in itself should not create issues. However, under EMIR it is optional to report positions. This may create issues that not all counterparties generate a UTI for a position.

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).

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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?

The approach to link the UTI to the way the package is reported (either as one transaction or as several components) absolutely makes sense.

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

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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?

We prefer option (ii) where a unique "package number" links the different component reports.

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.

The unique “package number” linking the components will have to be agreed between the two counterparties in case of double-sided reporting. Rules for generating this number should correspond to the rules for the generation of the UTI.

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.

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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.

The approach is correct since it requires a new UTI if a new transaction is caused by the life-cycle event. For the case “change of a counterparty” it has to be noted that a counterparty can change without causing a new transaction, e.g. in case of a take-over of one of the original counterparties. The modification of the counterparty in this case should not lead to the requirement for a new UTI.

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?

Currently EMIR in practice requires the generation of a new UTI in case of a take-over of a counterparty. This creates problems since usually the original transaction remains active and should therefore keep its UTI.

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

Yes.

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

No.

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.

Yes. In general for a terminated transaction only a termination message is sent without further information. The successor UTI would have to be added to the termination message.

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?

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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?

We prefer option (iii) since the "prior UTI" field would always clearly signal if there are one or many predecessors. In case of option (ii) it would be empty if there are multiple predecessors and for identifying the predecessors any analysis would have to find transactions which have this transaction UTI as a successor. This would entail two different logics to find the linkages between UTIs.

Option (i) is not feasible for multiple predecessors and option (iv) would require an additional feed which would be more effort than option (iii).

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?

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

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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?

It would make more sense to have a unified set of rules to be applied to all trades instead of requiring the implementation of different processing logics.

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.

Yes. Having globally harmonized rules is the most consistent solution.

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

In case the generating entity (e.g. a trading venue or a CCP or a foreign counterparty) does reside outside of any jurisdiction requiring reporting a solution on who generates the UTI must be defined.

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

See question 19.

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?

The steps are correct and complete. For step 6 we would recommend to have the seller generate the UTI.

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?

Relying on an agreement between counterparties should be step 1 and not step 5 in order to have a standard processing for most transactions.

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?

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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?

Yes.

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.

Yes.

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?

It seems to be difficult to have compatible rules which always arrive at the same UTI generation responsibility without full harmonization.

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

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

If the entity is completely outside any corresponding jurisdiction i.e. not supervised by an authority in another jurisdiction ensuring compliance to the other counterparties' jurisdiction then it cannot be forced to generate a UTI.

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?

It would potentially become very complex to understand the different rules among all jurisdictions.

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

Yes.

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

The option to use an algorithm makes monitoring more difficult since this would apply to all types of reporting entities.

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.

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?

Option 1 since this will allow the simplest way of implementation for multiple jurisdictions. Other options would lead to high implementation and potentially ongoing reconciliation effort.

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.

Generation of the UTI should be simultaneous with the trade confirmation. This way there will be no issue with different timing requirements.

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

Yes.

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?

Important is the Mint (the reference to the generating entity) and the ID value. Any other components should be omitted: Including the jurisdiction would make the UTI not useful for all jurisdictions, an encoding scheme is not required if the Mint is used, using the counterparties as part of the UTI would make it impossible to keep the same UTI if a counterparty is merged or taken over, the transaction date would have to be defined by time zone and makes the UTI unnecessarily complex, having a package component suffix would require that the ID value remains the same for all components of a package which would restrict the use of the internal transaction/component id as ID value.

Please note that also for a Mint the LEI can change in case of merger or takeover. However, this should not cause a problem since any previously generated UTIs should keep the old LEI as the Mint identifier and any newly generated UTIs should use the new LEI.

Question 37: Would it be useful or necessary to include check digit(s) in the UTI? Why?

The use of check digits is unnecessary since UTIs are only used for electronic transfer where checksums are included as part of the transfer protocol.

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.

An ID of the UTI generator (the Mint) and its ID should be included. Using the Mint ID ensures that the UTI will be unique and the Mint can then also ensure that it is consistent etc.

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?

The only intelligent part of the UTI must be the id of the Mint. A pure dummy code would require a central UTI utility which would be completely impractical.

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?

Only the length and the character set to be used should be defined since the Mint itself will then make sure that the UTI is unique.

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?

To distinguish old from new UTIs is only required to ensure compliance with UTI rules and that could be based on the trade date. The only requirement is that new UTIs do not overlap with old UTIs.

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?

Yes it is necessary to enable the Mint to use its own independent ID without the risk of overlap with a UTI generated by another Mint. The LEI is the most practical way to identify the Mint. If the LEI of a Mint would change due to e.g. a takeover, then any UTIs created after the takeover would use the new LEI.

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

This would be very impractical since it would not allow the Mint to use its own internal transaction ID as ID value, instead the Mint would have to allocate a special ID value to all components of a package. Having a separate package ID linking the different components is far simpler.

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?

Inclusion of jurisdiction would block using the same UTI for different jurisdictions, the encoding scheme would be a major effort, since the different algorithms would still need to be defined and developed, including the counterparties would incorrectly create a link between UTI and the counterparties of a transaction, transaction date would require logic to make it uniform globally and the suffix issues is explained in the answer to question 43.

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?

If the only “intelligent” part of the UTI is the Mint id, then there is no issue. The only information which could be deducted from such a UTI is that the Mint is party to a transaction. Without the transaction details no more information is available. Therefore this does not create a data protection issue.

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

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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?

The Mint ID should have 20 characters as the LEI and the remaining ID value should have 44 characters to allow sufficiently large ID values.

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 would advise to only allow upper case characters, an underscore, minus sign and digits 0-9 in the UTI to avoid ambiguity.

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?

Underscore and minus sign characters should be allowed.

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?

Separators should not be used between the components but underscore and minus sign should be allowed within the components.

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

Only the maximum length should be prescribed.

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?

We agree with option 1 and the usage of a Mint ID + ID value. In this case there should be no risk of overlap with existing UTIs for Dodd-Frank or EMIR since in both cases firms have so far used different approaches and if a firm had already used its LEI it can ensure itself that no overlap will occur.

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?

The event "succession event of a reference entity" is a bit unclear. In case of a takeover of one of the counterparties of a transaction in our view the UTI should still remain the same, since the original contract is continued by the successor of the original counterparty without change.