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30 September 15 | Re: Harmonisation of the Unique Transaction Identifier – Consultative Report

GFT welcomes the opportunity to respond to the consultative report issued jointly by the Committee on Payments and Market Infrastructures (**CPMI**) and the Board of the International Organization of Securities Commissions (**IOSCO**) on “Harmonisation of the Unique Transaction Identifier” (the **Report**).

GFT is a leading European consultancy with an established history in the financial services sector. As part of its portfolio of capabilities, GFT has an established business consulting division engaged from the front to back within the market, with clients amongst the tier 1, major corporate and clearing house sectors. GFT is established within the Americas and Europe, with contacts globally providing our clients with strong support and precedence to help solve their challenges. Our engagement with a range of organisations from across the industry has given us a broad insight into the challenges and opportunities currently facing market participants, in particular the operational challenges posed by regulatory change. This exposure and experience allows us to adopt a holistic approach in addressing the issues raised by the consultation paper.

GFT believes that regulation can enhance and support a well-functioning market by improving transparency and efficiency and thereby increasing investor and participant confidence. We also recognise the challenges that have built up over the history of the market and the issues affecting our clients in their varying sectors. The Unique Transaction Identifier (UTI) is the cornerstone of reporting efforts, and it is therefore important that the issues addressed by this consultation are resolved. Furthermore, if implemented effectively it could help foster a number of operational efficiency gains for the market and its participants. We welcome this chance to participate and offer our comments and suggestions.

Introduction

GFT has a proven history of engagement in the regulatory landscape, working with practitioners to improve operational efficiency and aiding institutions in implementing regulatory driven change.

In this context, GFT considers that the primary purpose of the UTI is to uniquely identify individual OTC transactions required by authorities to be reported to Trade Repositories (TRs). Additionally, the UTI construct should facilitate the efficient aggregation and analysis of reported transactions by relevant authorities so that they can use reported information to fulfil their legal obligations and prudential requirements. In this regard, a UTI should be the cornerstone the reported trade data set, linking the trade and all of its associated lifecycle events and dependencies, thereby ensuring traceability throughout the life of the trade. The UTI should be the key to the data held regarding a particular trade without being a duplicate of the trade or undermining the market by its presence.

UTI Characteristics

GFT agrees with the principles laid out in section 2 of the Report, although we foresee some challenges beyond the scope of the Report around the concept of status which will be explored in our question responses. In particular we consider that without global agreement to adopt a harmonised approach to UTIs, the market risks more fragmentation. This would likely lead to an increase in operational costs and complexity, which could create new risks that may ultimately undermine the goals of the initial regulation.

Summary

GFT recognises that the need to manage regulatory driven change is the new normal within the industry. Whilst participants' spending is currently focused on managing these regulatory mandated programs, we predict that in the near future market spending will become increasingly strategic with organisations seeking to grow and thrive within the new landscape, rather than simply seeking to survive. To this end, we believe that regulation has a key role to play in improving transparency and facilitating the functioning of the market, thereby fostering the conditions for increased participation and liquidity.

Format of the response

For ease of reference, our responses are grouped and aligned to the headings provided within the consultative report.

Responses to Questions

Reportable Transactions

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.

The differences in reporting can be summarised as follows:

- **Asset class and product:** As regulations have progressed in implementation, the number of reports relating to a single transaction have increased. This means that dependent on the product, the execution type, and the counterparties involved, there may be a large number of reports for one transaction. As outlined in the principles of the UTI, the UTI should be applicable to all reportable transactions for any given trade (regardless of any jurisdictional

differences in reporting requirements), and should help provide a consistent and authoritative view of the trade.

- **Complex or package type:** Depending on the jurisdiction, participants may be required to report part or all of a package. This can lead to difficulties in matching as UTIs will potentially be assigned differently depending on the reporting requirement. There is additionally an issue around representation where both parties may book the same product in different ways to reflect either their interpretation or their internal processes and/or systems, for example: in risk, capital, or credit management. Consider FX Swaps where some jurisdictional interpretations may suggest that the near leg (typically being spot) is considered out of scope, leading some parties to report both legs, and some only the far leg.
- **Market practise flows:** These are flows which rely on convention in order to determine the status of the parties within the flow for reporting or generation of the UTI. These are commonly used in clearing, prime brokerage, and platform execution on unregulated markets, for example Swaps Execution Facilities (SEFs), Multilateral Trading Facilities (MTFs)s and Organised Trading Facilities (OTFs). In each of these instances the market relies on convention in order to determine the reporting party and therefore the responsibility for UTI generation. In the case of clearing, which is not usually discussed, there are a number of clearing flows that require an assigned UTI. Where the clearing is cross-border, the approach will need to be consistent or at least a specific jurisdiction deemed responsible.
- **Dual vs single sided reporting:** Were dual sided reporting is required, the obligation to generate the UTI would either be shared (i.e. the UTI must be agreed), delegated, or, in a worst case scenario, both parties to a transaction would be required to generate at the same time. This problem is compounded where the obligation to generate a UTI includes an agreement between the two parties, and the applicable regulations have markedly different timelines for report submission. The European Market Infrastructure Regulation (EMIR), for example, requires agreement of the UTI as it has a dual sided reporting requirement, although it recognises that cross border transactions do not require agreement. In the case that an EU entity within the remit of EMIR is considered a US person under the Dodd Frank Act there may also be conflicting requirements for UTI generation, as Dodd Frank requires that a transaction report be submitted within 30 minutes, whilst EMIR allows for submission by the next day. These challenges create additional complexity within the operational reporting of trades, particularly in cross border transactions. They also increase the burden of maintaining counterparty data within organisations as corporate events may strongly affect reporting obligations as company status change in the eyes of the regulators.
- **Jurisdictional Nexus:** This is where a reporting requirement is triggered due to physical or “effectual” attributes of the trade. In providing a global market and thus liquidity, regulators have raised concerns regarding the effects of trades on their respective markets. However, this type of reporting adds a large layer of complexity as it requires the capture of attributes that are not currently in scope for the trading systems of most participants. In addition, this type of reporting creates difficulty around the implementation of controls, particularly around

monitoring the movement of staff in and outside of work. This could lead to some institutions implementing periods of “quarantine” for their staff in order to avoid potential infractions.

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).

Harmonisation is almost a secondary consideration where the reporting requirements of some jurisdictions are far more aggressive than others. Without harmonisation of the legal agreements to incorporate UTI determination and agreement, it will be very difficult to enforce any harmonisation measures. Furthermore, issues will arise where legal entities change either classification or jurisdiction, resulting in new or altered obligations. Without further harmonisation this will create legal and compliance challenges and place possible constraints on the market. This may now become a factor in corporate actions such as mergers or acquisitions and restructuring. One case observed by GFT was that of a corporate within the EU who was a client of a large European bank, which was then acquired by a large US corporate. The acquisition of the bank meant that it was suddenly classified as an affiliate under U.S. law and was therefore subject to trading restrictions with regards to non U.S. organisations. In particular, the bank was no longer authorised to trade with the EU corporate as all trade with EU companies now had to take place from the U.S. headquarters. In order to continue trading with the bank, the EU corporate needed to be onboarded with the U.S. headquarters of the former European bank. As a result, the relationship between the bank and the EU corporate was changed to an extent as to potentially limit liquidity to the EU corporate. This issue is further complicated by the Jurisdictional Nexus point in the response to question 1, where the exact status of the counterparty to the transaction has to be determined.

UTI approach for reporting of “package” transactions

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?

GFT is supportive of the proposal that the allocation of UTIs for package transactions should be dictated by the level at which the transaction is required to be reported. For example, where a single report is mandated, a single UTI should be generated for that package, and where multiple reports are required, multiple UTIs should be assigned to the transaction legs.

However, we foresee that the generation of UTIs for individual legs of package transactions will cause matching issues for impacted firms. This is already apparent where corporate firms have entered into trades with underlying products that hedge using the volatility of the market. These trades are composed of multiple options or legs which can be represented differently depending on the entry system.

Package transactions are also an internal problem as single representation at execution may require a more granular view for functions such as settlement and credit. Clear guidance is required from the regulatory community as to what is required to be represented to effectively monitor the market. In

addition this also requires harmony on the product scope in order to ensure a consistent view of the trade.

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

If UTI must be allocated at a package level, then a portion of the UTI should be reserved for the leg identifier. However, this will raise other issues as the UTI will need to be partitioned in order to match the “package” UTI and it will not be possible to match the “leg” section of the UTI without agreeing the representation. If the representation is not agreed and there are differing views then there is an overhead in complexity and operational management. The UTI would then also serve a different purpose than just identifying a trade.

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?

Current proposals would work, however, it would mean that firms would need to do this manually, which introduces risk. This would also lead to volume constraints and operational overheads, and potentially increase the rate of mismatches. One of the biggest impacts would be within corporate firms which use structured products for hedging. The suggested UPI approach is preferred as this would yield a greater return by providing a harmonised view on core data attributes, thereby encouraging participation and transparency. The UPI would be able to contain a representation to hold the nature of the components within the trade.

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.

We see the key challenge as being the need to get all counterparties to agree to common approach without an authoritative guide. This also requires firms to have a ‘per client’ structure to handle representations as without a concerted effort there will be no defined representation across the market. This will be challenging as it could mean a different structure for each counterparty they face. We anticipate this also being particularly difficult for less sophisticated firms with lower market participation. This will lead to decreased operational efficiency and increases in complexity and risk. This can be mitigated by the adoption of well-defined standards for the data attributes being consulted on by IOSCO-CPMI currently, supported by a globally consistent outreach by the regulatory community.

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.

Please refer to the response to question 5.

The impact of lifecycle events on the UTI

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.

GFT believes that section 8 covers the majority of cases, however, we would like to suggest other scenarios for inclusion: De-clearing, exchange traded derivatives (where the chain of execution is different to OTC), and corporate events (e.g. mergers and acquisitions, liquidation etc.).

We agree with the approach of using a prior UTI field to link reports. This approach meets the audit and traceability requirements set out by the Report and the UTI Characteristics discussed above.

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?

Firms would have to pre-match trades in all cases. The pre-match standards would need to be agreed globally in order to provide a consistent level of reliability. This has challenges with regards to volume and operational efficiency and would potentially require firms to sign up to multiple vendors to implement. This would add unnecessary complexity and would be contrary to the stated objectives of consistency and clarity of the harmonisation efforts. We propose that the logical target model is that the TRs become the point at which all matching is done as they represent a very low number compared to the counterparties submitting. This is currently contrary to the interpretation applied to some regimes which state that the UTI “must” be agreed upstream of the TRs. In our opinion the suggested model does not change the agreement as in these cases the agreement is on a match at a TR, which will consequently improve data quality.

Relationship to prior UTI – linking related transactions

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

GFT supports the idea of linking related transaction as it has benefits from both a regulatory and operational viewpoint. The main challenge we see is in cases where compression takes place, meaning that either the previous transaction reports require modification, or only one transaction can ever be prior to another. This would be undesirable and could lead to the loss of information.

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

Please refer to the response to question 8.

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.

GFT see that this would be problematic in terms of any transaction created from a position not owned by the reporting firms, such as novations. The successor UTI field would also only be truly useful where the entire chain of transactions is able to be managed within an institution and system. This also touches on the challenges around representation as discussed previously. We would suggest that more clarity is required regarding the need for this.

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?

GFT has no comment on this question.

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?

GFT has no comment on this question.

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?

GFT has no comment on this question.

Responsibility for the generation of the UTI

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

Please refer to the response to question 1.

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 is our belief that the guidance would need to apply to all reportable transactions if it is to be implemented successfully. Given the jurisdictional differences in reporting requirements, and a perceived lack of clarity as to who should report in many of these jurisdictions, the opinion of GFT is that without blanket guidance covering all trades it would be difficult to enforce the adopted guidance. Furthermore, to refrain from doing this would add additional and unnecessary complexity to the

reporting landscape, something which is contrary to the stated objectives of fostering consistency and clarity.

In our view, it is essential that there be as much harmonisation as possible across all geographies and jurisdictions. Some form of global support for a single construct / framework for reporting whilst respecting the coverage of individual jurisdictions should be advocated by the international community.

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.

GFT is a proponent of the hierarchical approach to the assignment of the reporting responsibility and we therefore agree with the option 1 proposal. The strength of this approach is that it is prescriptive, leaving no room for ambiguity. Additionally, it can be adapted to cover differences in local jurisdictions, for example in in scope products, an area that would also benefit from harmonisation efforts in the UPI arena. Furthermore, the validity of this approach has been proven with many regulators having already adopted this approach to trade reporting. The main challenge that we foresee in implementing this approach is that it would need to be legally binding. One suggestion is that the hierarchical structure could be agreed as part of the terms of business between the counterparties, as is the case currently under the Dodd-Frank Act in the U.S.A. and the Canadian OTC Derivatives Reporting Rules.

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

In addition to the considerations outlined in our response to question 18, we suggest that there should be a failsafe option in place. By this we mean that if the designated counterparty has not generated the UTI within a specified timescale, the other counterparty should be obliged to alert their local regulator of this fact. Such an obligation is currently in place under the Canadian OTC Derivatives Reporting Rules. The implementation of such a failsafe may also help to mitigate issues regarding the differences in reporting deadlines across jurisdictions.

Any proposed mechanism should have the advocacy of the international body, including communications to the global market community undertaken by the joint efforts of industry and the regulators.

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

We do not believe that this will be an issue as long as the international community has agreed on the implemented approach. The main place where we could see this occurring is in so called 'on shore' markets, which have no jurisdictional overlap in their transactions.

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?

We do not believe that all the steps are necessary. A simpler hierarchy leveraging the position of the TRs as a primary issuer of UTIs is optimal. We also agree that step 6 should exist and propose that this should be a failsafe option as discussed in our response to question 19.

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?

Please refer to the response to question 23.

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?

We believe the proposal is workable in the current situation but would see a move to using the TRs as the market infrastructure to produce UTIs via matching, and thus providing a global and harmonised view of reporting. In this case we envisage the table to remove step 1 and to introduce a step 4a where the TR creates the UTI in lieu of any other central point where both counterparties meet.

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?

Without harmonisation within this area the hierarchy must have a bias to the counterparty with the more restrictive jurisdiction or provide a mechanism to exchange UTI at execution irrespectively, meaning that the UTI is available at the required reporting time. As discussed, option 1 could produce an outcome where the generating party is the side with a longer time to report. However, in all cases both sides should record the UTI as this will be part of the mandated recordkeeping requirements, in addition, this will be indicative of a reporting obligation being discharged. This logically suggests that a dual-sided reporting model is the most complete in terms of control and records, but this does introduce matching issues.

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.

GFT does not agree with the assessment of option 2. We believe that this option contains too much ambiguity and does not deliver clarity in terms of responsibilities and obligations for a well-functioning market. In our opinion this option is not aligned with the stated objectives of the Report, in particular the clarity and traceability. In fact Option 2 is very similar to the current state and would not resolve any issues around timing of UTI production or where there are overlapping jurisdictions

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?

The main challenge that we perceive is that this would require engagement at the local regulator level in order to achieve the required rule and legislative changes. This would be difficult and prolonged.

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

GFT does not wish to respond to this question as we do not agree with the proposed option 2.

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

Please refer to the response to question 20.

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?

GFT does not wish to respond to this question as we do not agree with the proposed option 2.

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

We agree that the ability to circumvent the problems caused by national regulations regarding the responsibility for generating the UTI would be beneficial, but are concerned that this option is heavily dependent on the successful utilisation of the algorithm by all parties. As per our proposed hierarchy, we believe that the best solution for implementing option 3 would be to implement it at the TR level.

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

As per our response to question 17, if the final guidance is agreed and adopted it would also require a framework for co-operation to allow monitoring. In addition, it would need to become part of the overall legal agreement for contracts in order to be binding.

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?

GFT has no comment on this question.

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?

GFT has no comment on this question.

Timing of UTI generation

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.

Our proposed hierarchical solution (see response to question 23) resolves this problem as UTI generation would take place at the TR level. Should a separate solution be adopted, then the adopted solution would need to provide the flexibility for whichever party is required to report first to generate the UTI.

Proposed overall approach to UTI structure and format

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

We agree with the proposed overall approach which states that the UTI structure and format should:

- help ensure that the UTI facilitates consistent global aggregation, in particular by ensuring uniqueness and thus minimising the likelihood of double-counting the same transaction;
- not constrain which entity should be responsible for the generation of the UTI;
- not depend on proprietary algorithms unless there is no effect on the fulfilment of the other characteristics;
- be unique with respect to legacy UTIs; and
- minimise the need for the involvement of any registration authorities or similar in the UTI generation process.

However, we foresee some difficulties in ensuring the uniqueness of harmonised UTIs with respect to legacy UTIs, as discussed in our response to question 51. Additionally, we believe that the ESMA principle of counterparty anonymity (i.e. that you should not be able to identify the counterparties to a transaction from the UTI) should also be considered as part of the approach.

Possible components of the UTI structure

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?

We see issues with the package id being part of the UTI in that this would produce an UTI that would only partially match. Unless the representation is aligned the number of parts to the package would change meaning that there would not be a match except on the top-level UTI, which would require a “smart UTI” in order to determine the components of the UTI. See also the response to question 39

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

GFT is of the opinion that any feature that can be used to check for errors or inaccurate transcriptions is useful. However, we do not believe that the inclusion of check digits is necessary. We believe that the

agreed approach should seek to avoid manual keying wherever possible. A check digit may also possibly be redundant as a result of existing reconciliation controls.

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.

As the UTI is purely a mechanism for identifying the trade, any attributes used would only be useful in this context, as otherwise the UTI would simply be a repetition of the trade report.

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?

Although it would be simpler to foster harmonisation should the UTI be solely a dummy code, we do not believe that this approach should be adopted. It would be simpler to generate UTIs without embedded intelligence but doing this would not be operationally useful. By embedding intelligence within the UTI it enables the business to immediately identify the transaction. This can enable the efficient processing and handling of transaction information and will allow the business and the regulators to easily identify trades that meet a fixed set of criteria.

The details of how to construct the ID value will need to be defined in order to guarantee uniqueness. We would prefer that the ID has structure rather than the UUID approach in order to improve the operational efficiency. The ID itself has only one purpose, to identify a trade globally and uniquely. In this regard a “smarter” UTI has application within the technology used to help locate trades, particularly from an audit and traceability point of view.

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?

See response to question 39.

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?

It would certainly be beneficial to embed the date of the transaction in the UTI itself, as this would make it very simple to distinguish between legacy and new UTIs. As discussed in our response to question 39, the inclusion of such an intelligent component would also bring a number of process efficiency gains. We generally oppose the creation of new fields where not absolutely necessary as this will require effort and lead to additional costs for participants. Additionally, any requirements that require work on legacy systems will impact firms in varying degrees depending on the type and state of

the systems in place. This could create winners and losers within the industry. As the implementation of a harmonised UTI will be of benefit to the industry as a whole, we believe that harmonisation efforts should seek to minimise the impact wherever possible to maximise the chances of success and industry wide adoption. The addition of a date will also help avoid the problem of generating a UTI under the new scheme that matches an existing UTI.

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?

The current implementation of the UTI as defined in the industry best practise already uses a "Mint" in the shape of an LEI, or an abridged form of it. However, in the case of platforms or other trading facilities not using or required to have an LEI other schemes are used, for example the MIC code. It would be beneficial for the global community to advocate the use of one scheme and, given the global oversight of the LEI system, to migrate to a single scheme.

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

As discussed in the responses to questions 3 7.

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?

In the experience of GFT, any change to the currently used structure for UTIs will require changes to the systems of one or more industry participants. However, as discussed in question 6, not all changes will impact all participants equally, or at all. The impact of each change will vary from institution to institution depending on the configuration of their systems. This may mean a complete replacement of a legacy system which was kept due to the trading activity being low, or a simple configuration of a recently implemented system. Given the shifting landscape, low appetite for change risk, and the rapid pace of regulatory requirements, we expect the results to tend towards the first scenario.

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?

As discussed in our response to question 35, GFT agrees with the creation of an intelligent UTI meeting the characteristics described in our response to question 35. This, however, makes it more difficult to ensure that there is no duplication of UTIs as a number of the intelligent components (for example date and product code) will likely be duplicated across many transactions. The possibility of an intelligent UTI is also dependent on the resolution of other issues highlighted in the above responses to questions and would require a great deal of investment by both impacted firms and the regional regulators.

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

We do not agree with option 3.

The main problem with the proposed option 3 is with ensuring correct implementation of an algorithm that attempts to generate the same UTI in different places. Past experience has shown this to be overly problematic and complex, with cases within the LEI allocation where the generation caused sequences to be generated that clashed with other allocated LEIs.

Format (allowable characters and length)

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?

Consideration has to be given to legacy systems, however, there should be one length agreed by all regulators. The exact values should be released through technical standards published in the relevant jurisdictions.

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)?

UTIs should not use non alpha numeric characters as this will potentially make them incompatible with existing systems. For example, at this time a valid USI under CFTC cannot be transmitted by Swift if it contains the colon ':' character which is valid for the USI.

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?

GFT is a proponent of automating processes wherever possible. We believe therefore that UTIs do not need to be human readable and consequently see no reason to include additional characters that may serve this purpose e.g. '-', '_' etc.

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?

As discussed in the response to question 49.

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

In addition to our response to question 47, the UTI length should be fixed to ensure that all impacted systems are performing at the same length. It will be difficult to foster full harmonisation where the length is not defined. This is illustrated by current differences in operation lengths across Russia, Hong Kong, the US, and Europe.

Implementation

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?

GFT agrees with elements of the implementation plan, in particular we agree that the approach should not impact existing UTIs. However, based on our experience in the reporting field we are inclined to disagree with the assumption that TRs are currently able to check the uniqueness of UTIs. Given this, although we agree in principle that a uniqueness test would be valuable, we do not believe that such a tests could be implemented under current conditions. There is therefore a risk that newly generated UTIs will have the same value as existing UTIs, but the extent of the risk will depend on the agreed structure of the harmonised UTI. Until a structure is finalised, it will be difficult to accurately estimate this risk.

Furthermore, whilst we agree that the proposal to maintain legacy UTIs in their current format is convenient, we foresee that this will create problems for participants in the future. In particular, it is likely that the need to create and maintain systems that are able to read and aggregate both legacy and new UTIs will prove to be both expensive and cumbersome. The practicality of tracking lifecycle events for long term legacy transactions is of particular concern.

In terms of practical steps we believe that, in line with our proposal, TRs should become the point at which UTIs can be generated. Additionally we suggest that in order to move to a new scheme of UTI allocation, market participants should undertake a “phase-in” exercise whereby existing positions are “re-booked” to create new UTIs in line with the new scheme.

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?

Taking into account our comments around events (as outlined in our response to question 8), the only issues we see are regarding the transference of UTIs around novation where linking via the “prior” UTI requires information from a stepping out party which, as mentioned previously, will require a uniform set of behaviour around the communication of the UTI between parties.

Conclusion

We would like to thank CPMI and IOSCO for providing the opportunity to respond to the Consultative Report, and would welcome any questions or discussion around our responses or on the experiences of GFT in this area. Thank you for your consideration, and please do not hesitate to contact us if you have any questions or concerns.

Sincerely

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