



**[Submitted via electronic submission]**  
CPMI-IOSCO

02 October 2015

CPMI Secretariat: [cpmi@bis.org](mailto:cpmi@bis.org)  
IOSCO Secretariat: [uti@iosco.org](mailto:uti@iosco.org)

Re: Harmonisation of the Unique Transaction Identifier – Consultative Report

HSBC welcomes the opportunity to respond to the Consultative Report on Harmonisation of the Unique Transaction Identifier. This letter comprises our supplementary comments to the submission by The International Swaps and Derivatives Association, Inc. (ISDA) and The Global Foreign Exchange Division (GFXD) with whom we have engaged throughout the consultation period.

## **Consultation Response**

HSBC strongly supports global harmonisation of key data elements – this is particularly apparent to the Unique Transaction Identifier (UTI) considering issues in the current reporting landscape and upcoming ‘Sharing and Pairing’ requirements for Asia-Pacific in 2016.

### **Packaged transactions**

UTI allocation for package transactions should be aligned to the confirmation model used - where trades are confirmed together as one, they should be represented by a single UTI. At present the approach differs by firm and/or product, and it is acknowledged that both system and booking model changes may be required, which may take considerable time to fully implement.

It is crucial that the method of implementation for reporting of package transactions does not compromise the ability for new structures to evolve in the market. Therefore, there must be flexibility in reporting of packaged transactions such that reporting can be aligned to the way trades are represented in internal systems.

### **Generating party responsibility**

In order to allow for global harmonisation, we believe flexibility should be limited; greater prescription by regulators is the best way to enforce compliance. Generating party hierarchy should be agreed at both an industry and regulator level, which would significantly reduce the need for any further interpretation by firms and would reduce exception rates in turn.

We also encourage the regulators and industry alike to continue to leverage logic that has already been implemented for generating party determination, such as the use of ISDA Tie Breaker rules.

## **Lifecycle event reporting**

We are supportive of the concept of prior UTI for linking transactions in the case of a lifecycle event; we acknowledge this is a key component of regulatory transparency. Significant IT development would be required to support one-to-many UTI reporting scenarios within the Trade Repository - where possible this should be minimised, for example with the use of Event ID to link trades for compression events.

We do not support the concept of successor UTI, which would be problematic to implement systemically and be of no additional benefit to regulators. The use of prior UTI is sufficient to provide an audit trail for the regulator.

## **UTI purpose and construct**

We believe the UTI should act exclusively as a unique transaction identifier, with no imbedded intelligence required – we do not support the use of data fields already used in the Trade Repository as part of the UTI construct.

## **Jurisdictional differences**

We believe a key component in achieving global UTI harmonisation lies with the regulators addressing jurisdictional differences which may occur. Implementing a jurisdiction agnostic approach to UTI generation (as defined in Option 1 of Section 3.4 of the consultation) in conjunction with this would help to achieve greater harmonisation globally.

Below are our specific comments with respect to each question/recommendation for your consideration:

### **3.1 Reportable Transactions**

- 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.**

We believe jurisdictional differences - or lack of explicit regulatory guidance - for the following may impact UTI generation, which are particularly challenging for the FX business:

- Definition of FX spot
- Commercial purposes exemption for FX – this has been implemented by EMIR only
- FX trade for settlement of a security trade
- Lack of direction for reporting a currency swap (legs vs. package) and its constituent parts. For example, where there are separate legs to the trade, is near leg reportable if <T+3 and therefore regarded as a spot trade?

- Unintended consequences of including non-reportable transactions as part of submission to the Trade Repository.

- 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 , please also describe the challenge(s) and identify the jurisdiction(s).**

- Agreement that for countries without a UTI reporting requirement, financial institutions in the jurisdiction with a UTI reporting requirement should always be the UTI generating party

- Clearing reporting requirements to be harmonised, as there are current jurisdictional differences (e.g. EMIR vs. CFTC)

- Whole of an FX swap to always be reportable - i.e. both legs, regardless of tenor.

### **3.2 UTI approach for reporting of “package” transactions**

- 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?**

Yes, broadly speaking UTI allocation for package transactions should be representative of trade confirmation - where trades are confirmed together as one, they should be represented by a single UTI.

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

We are supportive of the use of a Link ID (as a separate field from UTI) to be used to represent all components of a package that are separately confirmed, as outlined in Option ii). Refer to response to Question 5.

- 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 are supportive of Option ii) - Through having a field in each package transaction report that links the separate reports that represent a package; this field being separate from the UTI. As outlined in the response to Question 3, firms should look to align UTI allocation to trade

confirmation. Depending on how different components of a package transaction are confirmed, firms should then reflect accordingly with use of the Link ID.

For example, where multiple UTIs are used within a package transaction as a result of multiple confirmations, a single Link ID should be used across all UTIs. The Link ID should be internal to the counterparty with no requirement to match in a double-sided reporting regime.

Option i) – structuring a UTI such that package transactions are inherently related – would be too problematic to implement as a package transaction may contain certain components that are of a different nature or product/asset class.

Option iii) – use of UPI to determine whether a product is a package transaction or a component of a package – would be highly challenging to implement due to the complexity caused by the cross-product nature of package transactions.

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

It is acknowledged that the concept of reporting upon confirmation would require changes in booking model and/or system changes which may take considerable time to fully implement. Therefore, there should be flexibility such that reporting can be aligned to the way trades are represented in internal systems.

**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**

No alternative approach identified. However, we would like to emphasise the method of implementation must not compromise the ability for new structures to evolve in the market.

### **3.3 The impact of lifecycle events on the UTI**

**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.**

Yes – no additional comments.

**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?**

We are not aware of different jurisdictional rules for defining which events require a new UTI to be created. We would however encourage the regulators to provide their intentions for this, with specific examples to support.

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

We agree with the concept of prior UTI for linking related transactions, which would be of benefit to the regulator for traceability purposes.

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

Many packages have lifecycle events managed through separately booked trades which can either terminate or create a new product.

In addition to harmonisation of trade reporting of lifecycle events (i.e. with the use of prior UTI), further harmonisation of booking model across the industry is also required. For example, a novation can be booked as a new trade or an amendment – there should be a standardised approach in order for trade reporting to be fully reflective of the booking model.

**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.**

Events are processed sequentially, meaning the UTI for a new trade would not be known at the time of termination and would have to be populated retrospectively. Successor UTI is not necessary, and would be problematic to implement systemically.

**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 use of prior UTI is sufficient to provide the necessary audit trail for regulators.

**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 are supportive of Option iii) - use of repeating prior UTI field - although we acknowledge that this would require development to support for one-to-many scenarios.

In the case of compression events, the use of Event ID can be effectively be used as a link ID for compressed trades. This would eliminate the need to link all compressed trades using prior UTI, which would not be practical.

**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?**

We do not support the concept of imbedding linkage in the UTI, as this complicates the UTI generation process.

### **3.4 Responsibility for the generation of the UTI**

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

Broadly speaking, UTIs should be generated as quickly as possible after execution; e.g. by enforcing UTI creation on execution and matching platforms.

We are supportive of the points raised in the ISDA response to Question 16 with regards to both UTIs assigned by market infrastructure providers and those which are bilaterally agreed.

**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 - UTI generation is easier to implement and manage if harmonised across all jurisdictions and trades. This is magnified by the fact we need to communicate with multiple counterparty types across multiple jurisdictions.

**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, we are supportive of Option 1 as the optimal high level proposal for UTI generation responsibility.

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

- EB/PB rules introduced by ISDA. The PB model is a major cause of current UTI misreporting issues; we advocate a consistent global model which is enforced by regulation.

Refer to the GFXD response to Question 53 re: Section 8, Page 35 – Prime Brokerage:

*The table suggests there may be an original transaction between the client and executing dealer (ED) that is terminated when the prime broker (PB) interposes itself between the two parties. This is not correct, in that the client and ED never enter into a direct transaction, so no such transaction is ever booked into either party's systems. There is therefore no UTI generated as no reportable trade has occurred. Prime brokerage exists to allow clients to access pricing across multiple dealers without having to enter into a relationship with them, with the documentation that this would entail. If the client were able to enter into a trade with the ED, having all the relevant relationship agreements and documentation, there would be no need for a PB in the trade.*

*Additionally, we note that the scenario described, involving one ED, one client and one PB is only representative of the most basic of prime brokerage transactions. There are a variety of possible scenarios, many of which are much more complex and result in more than two UTIs.*

- Some countries do not require UTI reporting or even trade reporting - this may change as the financial control framework in these countries matures. Any UTI framework implemented should be flexible enough to permit change in accordance with such developments.

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

Providing both parties to a trade bilaterally agree to use a third party as UTI generator, this should not be a problem. However, where this is not the case there may be issues of enforceability for cross-border trades, including the prescribed generating party refusing to generate the UTI.

**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?**

Re: step 4 (trade confirmation platform as UTI generator), there should not be a dependency on a confirmation being matched to create a UTI. At present confirmation is only used to communicate UTI rather than create - the UTI should be used to drive the matching of trades, as opposed to vice versa. There should be a clear distinction between matching platforms in the context of execution and confirmation respectively.

Re: step 6, we believe this should be aligned to existing ISDA Tie Breaker rules which have already been implemented.

**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?**

We believe flexibility should be limited; greater prescription by regulators is the best way to enforce compliance. The hierarchy should be agreed at both an industry and regulator level.

Bilateral agreement is more appropriate as Step 5 - i.e. preference given to Steps 2-4: organized trading platform, CCP, electronic trade confirmation platform. This would encourage a more consistent global model, with bilaterally agreed UTIs making up a small percentage of overall UTI population.

**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?**

Our preference would be for the ISDA UTI Best Practice Paper to be followed - avoiding any party classification or jurisdictional considerations.

**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?**

Our preference would be to adhere to the ISDA UTI Best Practice Paper, which already caters to single-sided (e.g. CFTC) and double-sided (e.g. EMIR) reporting.

That being said, taking into consideration cross-border/multi-jurisdictional trades and the differing technological capabilities of market participants, it is acknowledged that there will be cases where bilateral agreement will be required to override the given UTI generating party.

**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.**

We agree with the assessment outlined in Option 2, however our preference would be to adapt Option 1.

**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?**

Option 2 states that 'intention is to allow differences in jurisdictions' rules provided the rules can achieve the same outcome...'

We believe the focus should be on addressing jurisdictional differences (as mentioned in Q1.) and adopting Option 1 as best as possible, which would allow for greater consistency.

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

See response to Question 26 - regulators should seek to eliminate any jurisdictional restrictions with respect to who is allowed to generate the UTI.

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

Yes – as stated in the response to Question 20, this may cause an issue where the party does not have an obligation to report in its own jurisdiction.

**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?**

Where there is a conflict on rules between two or more jurisdictions, we would suggest a rule to be added whereby bilateral agreement between the parties to the trade can override the other rules in the hierarchy.

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

We are not supportive of Option 3 - it would be highly complex to define rules for independent generation of the same UTI due to differing scenarios across different products, including package trades.

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

The emphasis should be on implementing a consistent, harmonised global model which will in turn improve UTI matching rates and minimise issues arising from generating party logic.

With regards to timing, it would be beneficial to have clear guidance from regulators around expected behaviour when the prescribed generating party does not provide UTI in a timely manner. As an example, when a firm is NOT the generating party and UTI has not been received in a timely manner (e.g. by T+X), common practice is for other firm to use 'their' UTI and subsequently communicate it to the other party. This is regarded as best practice in order to be compliant, however regulators do not explicitly state that responsibility lies with a generating party, just that a UTI has to be agreed.

**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 – a hierarchical approach applied globally (as defined in Option 1) is preferred.

**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?**

In order of preference:

Option 1 - allows for effective use of Generating Party preferences whilst also implementing a UTI hierarchy and promoting global consistency

Option 2 - elements of Option 2 may be applicable in cases where jurisdictional differences occur

Option 3 - whilst Option 3 would eliminate the requirement for UTI exchange and associated complexities, we do not feel it is viable.

### 3.4 Timing of UTI generation

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.

UTIs should be generated as quickly as possible after execution to allow for parties with reporting obligations in different jurisdictions to comply with reporting deadlines.

### 4.1 Proposed overall approach to UTI structure and format

### 4.2 Possible components of the UTI structure

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

Yes, we agree with the proposed overall approach to UTI structure and format.

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 believe that data which are already reported using other data fields in the Trade Repository should not be part of the UTI construct – this is duplicative and does not add any value to the regulator. Our feedback on the individual components of the UTI is as follows:

**Jurisdiction** - No – this adds considerable complexity for cross-border/nexus trades.

**Encoding scheme** - No, not needed on the basis that there will be an agreed approach in place for UTI construction.

**Mint** - Yes, on the basis that this will always refer to the generating party to the trade. We are supportive of either the full 20 character LEI or existing 10 character algorithmic form for this component. However, we would like to note further system build would be required to extend to 20 digits, and there may be additional complexities associated (starting date, synchronisation, impact on UTI 'Pairing and Sharing'). Additionally, we believe Mint ID should be part of the UTI prefix only as opposed to ID value component of the UTI.

**CP1, CP2** - No, duplicative.

**Transaction Date** - Provided a standardised, algorithmic approach to timestamp can be used, we would be supportive of Transaction date (or 'Execution date') being used in the UTI construct.

RESTRICTED

However, we acknowledge there are issues in the generation of timestamps which would potentially cause discrepancies. Additionally, this is reported to the Trade Repository in a separate data field.

**ID value** - Yes, using existing logic that has already been implemented.

**Package component suffix** - Refer to comments on packaged transactions.

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

No, we do not believe the use of check digit(s) is useful or necessary.

**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, 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.**

Refer to response to Q36 for comments on individual components.

**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?**

No - data which are already reported using other data fields should not be part of the UTI construct.

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

The UTI should be generated based on the principles/attributes agreed by the industry and must be unique.

**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 believe it to be important to distinguish between 'new' and 'legacy' UTIs. There must however be no issue in submitting a 'legacy' UTI as a prior UTI upon any change to UTI construct.

**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 practical to include a Mint field (LEI or component of LEI), which should be part of the UTI prefix.

Where LEI is not available, an agreed hierarchy of identifiers must be available as an alternative - e.g. country code and business registration ID or identity card.

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

See responses to package transactions - we believe use of common UTI and Link ID should be used to facilitate reporting of packages, as opposed to the use of designated suffix for packages.

**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?**

The inclusion of given components of the UTI construct may require material changes to multiple systems. However, it is acknowledged that this may be required to achieve a greater level of UTI harmonisation.

**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 stated in response to Q40, UTI should be generated based on the principles/attributes agreed by the industry and must be unique. Whilst we see no systematic issues in generating an 'intelligent'

UTI; we believe this is unnecessary as UTI should ultimately act a primary key to uniquely identify a specific trade.

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

As stated in response to Question 30, we are not supportive of Option 3.

### **4.3 Format (allowable characters and length)**

**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**

Our preference is for only a maximum length of UTI to be implemented, with no padding. This would allow for greater system flexibility in UTI determination.

**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)?**

Our preference is for UTI to not be case sensitive, with only capitals used. This would reduce errors in both communication of UTIs and manual entry.

**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, characters should be alphanumeric only. The UTI should avoid using characters already used in standard message criteria - e.g. SWIFT - which may serve a functional purpose.

Dot '.' should be excluded due to the issues it causes when transferred into the Trade Repository in Excel.

**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.**

We are not supportive of the use of separators, or any other non-alphanumeric characters.

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

We are supportive of the use of maximum length only – refer to response to Question 47.

**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?**

Yes, we agree with the proposed implementation approach in the consultation.

There should not be a requirement to change UTIs that have already been issued - we believe the risk of newly generated UTIs replicating existing UTIs to be minimal, as existing UTIs already have unique characteristics.

**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**

Yes – no additional comments.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Allan Guild', with a stylized, cursive script.

Allan Guild  
Regulatory Change  
HSBC Bank PLC

RESTRICTED