

“Harmonisation of the Unique Transaction Identifier”

KDPW_TR comments on the IOSCO and CPMI consultative report

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.

KDPW_TR only operates under a single reporting regime (EMIR), and more than 90 percent of accepted reports are for trades of Polish companies on the Polish market. The differences and challenges occur in the implementation of different legislation, in particular with respect to their geographic origin (for instance, cut-off dates for the reporting obligation using UTIs).

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).

In general, not in the EU jurisdiction (under EMIR). However, it seems easy to implement a model where we provide clear guidelines under which infrastructure institutions including CCPs, exchanges, MTFs, confirmation platforms generate UTIs that are unique and not duplicated.

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?

In general, we agree with the proposed approach to UTI allocation for package transactions. We only have one comment: a single package transaction (with a single UTI) may not include house trades and clients' trades. These should be separated, as should be the trades of particular clients, for the sake of easy identification.

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

KDPW_TR hasn't identified any other approaches.

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?

KDPW_TR prefers Option 2. The UTI structure and generation scenario should be as simple and transparent as possible. Any embedded suffices would complicate the UTI structure (Option 1); hence, in our opinion, the best solution is to define a new, separate field for the identification of package trades. Information presented in a field are easier for the TR to process and present to supervisory authorities.

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.

As mentioned under Question 5, Option 1 would be more difficult to implement in view of the more complex UTI structure, causing more problems with the presentation of the details of such trades to supervisory authorities. It would most likely result in different lengths of UTIs, which we are opposed to.

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.

KDPW_TR hasn't identified any other approaches.

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.

In view of European regulations and trades subject to the reporting obligation under EMIR, the list is complete and very detailed and the individual events are well defined (including the generation of a new UTI or the requirement to retain the original 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?

KDPW_TR only operates under a single reporting regime. However, in our opinion, the UTI structure and generation guidelines should be based on rules that are as objective as possible.

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

In general, we agree with the analysis. However, it seems important to differentiate two aspects which appear to be irreconcilable: the universal UTI structure and the diversity of the markets. The diversity of the markets, including the lifecycle and specificity of trades, should be accommodated by technical standards (different depending on jurisdictions and reporting regimes), in particular their scope and the mode of populating the fields. On the other hand, the UTI should be free of any attempt to embed a range of information, its structure should be based on an algorithm that is as simple as possible, and it should remain unchanged throughout the lifecycle of the trade. The algorithm and the decision who is responsible for UTI generation should be based on rules that are possibly most objective.

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

The presented proposal only refers to trades, but it would be important for the system to take into account positions as well. As a result of the netting / compression of several / multiple trades, positions are created and reported to TRs. In theory, the trade no longer exists and it is not replaced by a new trade; however, this does not mean that this ends the counterparty's exposure. As a good tool of monitoring the lifecycle of trades / positions that are not netted / compressed, the successor UTI assigned to the reported positions could be put on the terminated trades.

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.

This is easy to implement from the technical perspective. Terminated transactions in the TR could continue to be updated; hence, a successor UTI could be added as soon as it is defined. However, there is another problem. Where a trade is sent for clearing to the CCP, the original trade is terminated and two new trades are created through novation. The question is, which of the UTIs of the two new trades originating from novation should be the successor UTI? Under double-sided reporting regimes, the successor UTI could be assigned depending on the counterparty's side (both counterparties have independent relations with the CCP). This solution is not feasible in single-sided reporting regimes.

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?

It would be optimal to create a field "Original UTI" (in view of the ETD market, the term "previous" seems too narrow in scope), combined with the relevant guidelines for the reporting of values in the field.

For instance:

- OTC trades sent for clearing: the "Original UTI" field of the two trades created in novation would report the original UTI defined in the trade between the two counterparties. In this approach, Clearing Members would be required to report the UTI when sending the trade for central clearing.
- ETD trade chain. Given that trades are cleared at T+0, only novated trades are reported to the TR. The original trade is not reported. Furthermore, some CCPs use the open offer scheme and become counterparties on the market already. In those cases, the "Original UTI" in the chain leg (CCP – CM; CM – BR; BR – KL) should be defined as set in the instruction between the CCP and the CM.
- Rolling over OTC trades. Contract extension under a new contract. A new contract implies a new UTI and the original trade is terminated.
- Etc.

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?

Technically speaking, we expect no problems with the implementation of the proposed solutions in the reporting regime. However, it would seem optimal to use a combination of fields: the previous (original) UTI and the successor UTI. One of these may not be available in some cases. Hence, the use of two complementary identifiers would provide regulators with tools for the monitoring of trades and positions.

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?

It seems that the embedding of information about lifecycle events into the UTI is not the right solution as it makes the identifier structure more extensive and complex, which implies problems with the following:

- development of a universal standard;
- understanding of the standard by the market and its participants;
- timely sourcing of all components necessary to construct the identifier;
- the same identifier constructed by both counterparties.

Thus, it is advisable to construct the tools for the identification of lifecycle events by creating dedicated fields in the technical standards of each reporting regime.

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

KDPW_TR hasn't identified any other additional issues.

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?

In our opinion, the party responsible for UTI generation should be defined within each jurisdiction while the algorithm should be universal enough at global (cross-border) level to avoid the duplication of UTIs.

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.

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

Questions 18, 19: In general, we agree with the high-level assessment of Option 1, although we are not its proponent. As in Question 17, in our opinion, UTI generation should be defined within each jurisdiction while the algorithm should be universal enough at global (cross-border) level to avoid the duplication of UTIs.

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

There would be no problem of UTI being generated by an entity outside the jurisdiction if the rules of generating UTIs for cross-borders trades were clearly defined.

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?

In our opinion, the model proposed in Option 1 (this concerns only the hierarchy for the responsibility for generating UTIs) is sufficient and should serve as a model for jurisdictions to build their own hierarchy under Option 2, reflecting the differences of regulation in different jurisdictions.

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?

We would propose a different sequence of the steps in the hierarchy for the responsibility for generating UTIs:

1. Trading platform
2. Confirmation platform
3. CCP
4. Agreement between counterparties
5. Other (e.g. seller, financial institution)

This hierarchy would ensure more flexibility depending on the venue of execution, on whether the trade is sent for central clearing, and whether it is a bilateral trade outside an organised venue.

Question 23: Can respondents provide an alternative set of UTI generation steps for the proposed option 1 hierarchy for the responsibility for generating UTIs that meet all of the characteristics set out in Section 2?

No.

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?

KDPW_TR maintains reports for only one jurisdiction which uses double-sided reporting; we have no experience to take a position.

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.

We agree with the proposed approach; however, in our opinion, the markets should be globally educated in the model of the hierarchy for the responsibility for generating UTIs presented in Option 1 as a template (see out comments under Question 22).

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?

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

Questions 26, 27: We have no opinion.

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

There would no problem of UTI being generated by an entity outside the jurisdiction if the rules of generating UTIs for cross-borders trades were clearly defined.

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?

In our opinion, there would be no conflict of rules in different jurisdictions if there were global rules specifying who is responsible for the generation of the UTI for a cross-border trade.

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

We disagree with the approach proposed in Option 3. In our opinion, the guidelines for generating UTIs should be based on technical standards in each reporting regime. From the perspective of supervisory authorities, this option is the most difficult to monitor, for instance due to a higher number of counterparties responsible for generating UTIs (especially in a dual-sided reporting regime).

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

As mentioned under Question 30, Option 3 is the most difficult to monitor due to a higher number of counterparties responsible for generating UTIs.

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?

We see no other solutions to the problem of generating UTIs at no extra cost.

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?

We prefer Option 2. In our opinion, legal differences across different jurisdictions would prevent a completely uniform approach to generating UTIs. However, the UTI generation model presented in Option 1 (including the modification described under Question 22) should be recommended as a template (and a target) for different jurisdictions.

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.

In general, we agree with this approach. Even if the party responsible for generating the UTI resides in another jurisdiction, it is common sense that it should generate the UTI within the timing required of the other counterparty (or both counterparties).

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

KDPW_TR agrees with the proposed approach.

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?

In our opinion, the key components are the following:

- “Transaction date” (it opens the full combination of possible identifiers for each day);
- “Jurisdiction” (it allows for the UTI uniqueness test to be taken to the level of jurisdiction).

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

Yes. In our opinion, check digit(s) are necessary because the party responsible for generating UTIs would thus need to exercise more diligence in constructing the UTI.

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.

In our opinion, the UTI should have no additional obligatory components other than those described above.

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?

In our opinion, all other components (other than the transaction date and the jurisdiction) should be embedded in the UTI depending on the reporting regime and the jurisdiction.

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?

We have no opinion.

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?

In our opinion, the “Transaction date” in the UTI does not rule out the duplication of UTIs but it does minimise the risk significantly. It is not necessary to create an additional field to distinguish “new” UTIs from “legacy” UTIs. In our opinion, the UTI structure could rule out the risk based on the different length of the UTI. For instance, the maximum trade ID length under EMIR is 52 characters. Assuming that a new UTI must have more than 52 characters, it would be easy to distinguish “new” UTIs from “legacy” 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?

In our opinion, a Mint field would be one of the best ways to ensure the uniqueness of UTIs. However, we realise that some jurisdictions could not use the Mint field, for instance in the absence of legal availability of LEI codes (at this time).

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

The structure would be too complex and the UTI would be difficult to read. The processing of information embedded in the UTI is more difficult than the reading of data in a dedicated field (and it entails potential additional costs). See Questions 5 and 6.

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?

According to our estimates, in view of data recording and subsequent data processing for supervisory authorities, it would be more costly and work-intensive to include additional suffices in the UTI, compared to the creation of dedicated fields.

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?

We are not a proponent of an “intelligent” UTI. The main problem is the reporting of modifications in the lifecycle of a trade. The question is, if a UTI component is modified, will the UTI be modified as well?

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

No. We are not in favour of this option.

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 length of the UTI is not a technical problem for the TR (within reason, naturally). In our opinion, a predefined number of characters could help to differentiate between “new” UTIs and “legacy” UTIs. See Question 41.

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)?

In our opinion, the UTI format should only use upper-case characters, as generally applicable to other codes (e.g., ISIN, LEI). We see no problem with the use of “O” and “I”, and “1” and “0”. Prohibiting the use of these characters would impose too heavy restrictions on the UTI structure (e.g., embedding the trade date).

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?

In our opinion, new UTIs should only contain alphanumeric characters.

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?

There is no need to use separators between different components. However, it should be decided which fields should contain these components.

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

The length of the UTI should be fixed, for instance in order to use a check digit.

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 this approach. It is difficult at this time to assess/estimate the risk of duplication of existing UTIs by UTIs generated according to the new rules. For instance, the UTI structure could eliminate the risk based on the difference in the number of characters. The maximum length of the trade ID under EMIR is 52 characters. If the new UTI had more than 52 characters, the risk would be nil. By sourcing information on the maximum number of characters of legacy UTIs in all jurisdictions, the risk could be mitigated globally by setting the number of characters of the new UTIs as the maximum plus one.

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?

See Question 8.