# REGIS-TR contribution to

# Second Consultative report

# Harmonization of the Unique Product Identifier

August 2016

# Introduction

REGIS-TR appreciates the possibility of providing input to the CPSS-IOSCO working group is carrying out on the sake of harmonization regarding the using and generation of a common UPI through this second consultation paper on the harmonization of the Unique Product Identifier.

REGIS-TR would like to contribute to this consultation process by providing the view of the Trade Repositories, situated at the end of the reporting chain, ultimately receiving the outcome of the information which has been shared and communicated by the different agents in the industry, but playing a key role in the reconciliation process.

# Comments

REGIS-TR is a European Trade Repository offering among others, services to comply with EMIR reporting requirements. Under this reporting obligation, both OTC and ETD derivative contracts (details) must be reported by EU counterparties.

Even the specific scope of this consultation over OTC derivatives and not ETD, the response hereby provided by REGIS-TR is not limited to the OTC derivatives products, taking into account that an international reporting solution should cover as much as possible all reporting scenarios.

Please note that those questions to which REGIS-TR had no basis or experience to provide an answer, have not been included in this paper.

# Questions

**Question 2: Do you believe generally that the value "Other" is required in certain data elements? If so, which ones and why?**

From REGIS-TR perspective as data consumer, we have experienced that even a description/classification methodology tries to envisage all the possible situations, there are always new scenarios that do not fit. Therefore the "Other" category usually is used in that circumstances, and we therefore support the inclusion of this catergory.

On the other hand, it could be possible not to include this flexible option, if all controversial scenarios are described as they appear, to allow all participants to follow the same procedure when the existing data elements are not enough for a certain product.

**Question 3: For an OTC derivative product based on a custom basket of securities or assets, please provide your view of the optimal means of representing that OTC derivative product. Do you believe that it is practical to include all of the underlying securities or assets and their risk weights in the UPI reference data? If not, how do you believe that the elements of the custom basket and their risk weights should be reported to a TR?**

An optimal solution for the representation of an OTC derivative product based on a custom basket of securities or assets would not be including all of the underlying securities or assets and their risk weights in the UPI reference data, but to generate a dictionary where all the information for that UPI is available. The inclusion of the data into UPI reference would be unpractical taking into account the length, and therefore complexity this could suppose to the UPI.

**Question 4: How should underlying assets and reference entities be represented in the UPI reference data library? Would LEIs be suitable, at least for the corporate reference entities? Why or why not? Are there suitable identifiers for indices? If not, is it feasible to use an existing identifier such as an ISIN code for them?**

Reference entities should not be represented in the UPI reference data library. The inclusion of LEIs or very exhaustive descriptions of the underlier product, would not be suitable because for example on those cases where there is a product with low volumes and few participants trading, it would put into risk the confidentiality of the parties involved.

**Question 7: What are the arguments for and against the use of a dummy UPI code or an intelligent UPI code, or having both types of code coexisting?**

|  | Dummy UPI code | Intelligent UPI code | Combination (semi-intelligent) |
|---|---|---|---|
| For | • Feasible implementation of a check digit<br>• Considerable fixed longitude | • Code would contain specific information of the UPI<br>• Easy to read and interpret the product specifics. | • Feasible implementation of a check digit<br>• Code would contain part of the essential information on the UPI.<br>• Considerable fixed longitude |
| Against | • Number of fixed longitude must be enough to fulfill all possibilities<br>• Check digit reduces the valid UPI codes.<br>• Use of dictionary needed to interpret the UPI details. | • Longitude would probably exceed what is reasonable.<br>• Hard to integrate a check digit<br>• Code would contain specific information of the UPI (too much information shown) | • Use of dictionary needed to interpret most of the UPI details. |

**Question 9/Question 12: What are the minimum and maximum lengths (in terms of number of characters) that you believe the industry could accommodate for a UPI code system? How does this vary between dummy and intelligent codes? What do you believe is the optimal number of characters, and why?**

The maximum lengths of both of the codes would differ significantly, while if doing the dummy code, the length would be significantly smaller and considerable rather than very large and complex as the intelligent one. That is why a semi-intelligent code would be appropriate, having some features about the intelligent code that would make it contain specific information on the UPI, which will make it quickly and directly recognized, but also counting with a dummy part of the code, which makes it more feasible to create a check digit and also reduce its length considerably. All codes should have a unique length, and should be around 20-25 characters.

Dummy characters should be introduced on the intelligent part of the code when something is not applicable or just to keep all code with a uniform length.

**Question 11: Do you think that UPI codes should have an inherent means of validation? For example, should UPI codes include a check digit? Why or why not? Does this vary between dummy and intelligent codes and/or depend on the encoding method used in an intelligent code?**

UPI codes should have an inherent means of validation. The reason for this is that there is more control on the veracity of the product identification and the possibility of making

up UPIs reduces a lot. On the other hand, it does reduce the number of possible valid codes with a certain length given, but that also depends on the type of validation that is going to be imposed.


**Question 14/ Question 15: Should the UPI code system avoid using Roman letters? Why or why not? Are there particular jurisdictions whose computer systems cannot accommodate Roman letters?**

The code should contain only upper case Roman letters for all those systems that are case sensitive, and indo-arabic numerals. This increases the number of possible valid UPIs within a determined code length.