

REGIS-TR contribution to

Consultative report

Harmonization of the Unique Transaction Identifier

September 2015

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 UTI.

REGIS-TR would like to contribute to this consultation process by providing the view of the Trade Repositories, which is not integrated in UTI generation process and transmission chain, but on the other hand situated at the end of the cycle, ultimately receiving the outcome of the information which has been shared and communicated by the different agents in the industry.

Consequently, REGIS-TR is in a position to share its experience and lessons learned through the elaboration of a regulatory reporting service definition with general comments, instead of providing specific answers to all the questions raised by the working group in this consultation, in line with the purpose of this consultation to receive “general and specific comments and suggestions” to enable global aggregation of OTC derivatives transaction data.

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.

Given the specific scope of this consultation over OTC derivatives and not ETD, the response hereby provided by REGIS-TR will be limited to the information we have collected on these type of derivatives.

EMIR regulation obliges the TRs to perform a reconciliation of the trades as a consequence of the double sided reported model implemented in this jurisdiction. This reconciliation process allow us to more clearly identify the breaking fields and cause for the mismatch (report).

All European Trade Repositories perform two types of reconciliation process, one “intra-TR”, this is the reconciliation process of both sides of trade which have been reported to the same TR, and an “inter-TR” reconciliation process, through which trades with both sides of the trade reported to different TRs are taken through a reconciliation process as well.

OTC derivatives reconciliation rates

We have focused on the “inter-TR” reconciliation rates, as it always reflects the situation where the reporting obligation has not been delegated, and therefore the UTI field has been reported separately by the different counterparties.

The reconciliation rate for the “inter-TR” reconciliation process for OTC derivatives is around 1%, mainly as a consequence of the discrepancies of the UTI field.

After analyzing the data and gathering feedback from our participants, REGIS-TR has reached the conclusion that the following are the main causes of the UTI discrepancies:

1. Late transmission of the UTI, specially the buy-side, who usually consumes the UTI generated by the counterparty, but it is only received after the reporting obligation period has expired (t+1). Participants rather send the trade information with a “dummy” UTI, than not complying the whole reporting obligation.
2. Lack of generation definition agreement as there is not a unique algorithm agreed among counterparties to define how this identification should be generated.
3. Lack of dissemination process established.
4. Lack of agreement of the life-cycle events that trigger the generation of a new UTI.

REGIS-TR contribution cannot go further into the detail as the position of the TR is at last step of the chain, therefore do not participate in the generation or dissemination process.

Interim UTI and “error cancelation” action type

Currently some of the issues that impede the reconciliation of a trade due to the discrepancy in the UTI can be solved with the:

- Usage of an “interim UTI” field, this interim identifier is used until the definitive one is shared among the counterparties.
- Cancel the original trade reported with the incorrect or “dummy” UTI, when the correct one is shared among the counterparties.

These two options are currently used in REGIS-TR repository, but will be no longer compliant with ESMA technical standards once the Level II validations comes into force the 2nd November.

Proposed data format

Following ESMA technical standards, REGIS-TR only accepts trades in which the UTI field follow the following data format specification:

Field of up to 52 alphanumeric characters identifying a unique trade ID agreed at the European level which is provided by the reporting counterparty. If there is no unique trade ID in place, a unique code should be generated and agreed with the other counterparty.