



State Street Corporation

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CPMI Secretariat
Bank for International Settlements
Centralbahnplatz 2
4002 Basel
Switzerland
Via email: cpmi@bis.org

IOSCO Secretariat
International Organization of Securities Commissions
Oquendo 12
28006 Madrid
Spain
Via email: uti@iosco.org

Re: Harmonization of the Unique Transaction Identifier

Dear Sir or Madam:

State Street Corporation (State Street) welcomes this opportunity to provide comments on the Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organization of Securities Commissions (IOSCO) consultative report (Consultation) on the Harmonization of the Unique Transaction Identifier (UTI)¹.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With \$28.65 trillion in assets under custody and administration and \$2.374 trillion in assets under management as of June 30, 2015, State Street operates in more than 100 geographic markets worldwide. State Street is organized as a US bank holding company, with operations conducted through several entities.

Overall, we believe that the establishment of standards for data that describe or represent important financial concepts and activities is increasingly critical to the safety and efficiency of global financial markets and for individual institutions such as State Street. The UTI, and the other standards recommended by the G20, including the Legal Entity Identifier (LEI) and the Unique Product Identifier (UPI), represent a strong start to improved standardization. However, we believe that such

¹ Committee on Payments and Market Infrastructures and Board of the International Organization of Securities Commissions Consultative Report- Harmonization of the Unique Transaction Identifier, August 2015.

standardization must proceed with strong collaboration with the industry, which will bear the primary costs and other burdens in adopting such standards.

State Street is supportive of CPMI and IOSCO's efforts to develop guidance for a uniform global UTI. Global standards will improve quality and management of data and increase the efficiency of meeting global regulatory requirements. Additionally, State Street believes that the UTI standard approach developed by the International Swaps and Derivatives Association (ISDA) as outlined in its white paper should be adopted.² This UTI standard has been widely adopted by market participants to meet their regulatory requirements and many global regulators have accepted this standard. However, without an official endorsement or requirement from global regulators, inconsistencies will remain in reporting derivatives transactions globally.

We hope the suggestions noted in this comment letter will provide additional clarity for the creation, utilization and management of the UTI process.

I. General

1. Governance Structure and Administration of the UTI

The CPMI and IOSCO should specify the governance structure and who will be administering the UTI. UTIs, as with other technical standards, may become irrelevant or unwieldy as market technologies and practices change. Furthermore, new identification technologies or techniques may emerge. For these reasons, as well as to ensure good maintenance and support of this standard, we recommend that the UTI be administered formally by an appropriate governance entity, whether new or existing. Taken in combination with the other financial standards under consideration by IOSCO, CPMI, and other national and global regulatory and supervisory organizations, the issue of governance is urgent. The body established for the LEI could be an appropriate model for such governance, but any proposal should be subject to future consultation with the industry.

2. Accommodating Jurisdictional Differences

Jurisdictional differences must be accommodated by the UTI in order to operate properly. For example, currently, various jurisdictions define "derivative" differently which poses a significant challenge for the industry to make decisions and comply with regulations. Additionally, the rules for reporting and format between jurisdictions are different such as: the United States (US) utilizes forty-two spaces while non-US jurisdictions utilize fifty-two spaces; the US requires a "swap dealer" definition while non-US jurisdictions do not have swap dealer concept; and the reporting party rules are slightly different between US and non-US jurisdictions, with the non-US jurisdictions allowing the counterparty to dictate who generates the UTI.

3. Interaction with SWIFT Protocol Message Formats and FpML

State Street believes that many UTI issues interact with SWIFT protocol message formats and FpML. FpML is very flexible and fields can be added at will. Additionally, FpML can already support the communication of UTIs, although it is not a mandatory field. If changes are required to be supported by SWIFT, these can be managed through the change control process

² Unique Trade Identifier (UTI): Generation, Communication and Matching, July 20, 2015. Available at: www2.isda.org/attachment/NzczMg==/2015%20July%2020%20UTI%20Best%20Practice%20Practice%20v11.6_final.pdf.

already in existence. Also, if implementation definition changes need to be made to existing trade communication formats such as SWIFT or FpML, then adequate timing and communication should be provided to industry governance groups in order to implement these changes. Additionally, the UTI format must be able to be consumed by client (buy-side) platforms using SWIFT and FpML standards as jurisdictions require communication of the UTI to clients via SWIFT or another confirmation method. Currently, many client platforms do not support the consumption of this value.

4. Adoption of Recommendations for UTIs

Any globally-adopted UTI should only be adopted by regulators on a going-forward basis. It is not practical for market participants and trade repositories to update historical trades with these UTIs. If these historical trades do require re-reporting, then it is requested that implementation details and adequate timing be provided to the industry.

5. Coordinated Implementation

Implementation of the UTI should be coordinated by regulators globally. It would be challenging and inefficient to implement a new UTI approach in various jurisdictions on different dates. Additionally, it would be more difficult for global regulators to analyze data using the new UTIs if the approach is fragmented.

II. Key Characteristics of UTIs

1. Reportable Transactions

The Consultation states that each reportable transaction should have a UTI that differs from the UTI of other reportable transactions. State Street agrees with this notion and does not believe that jurisdictional differences pose a significant problem for reportable transactions. Although jurisdictional differences exist in UTI generation for asset classes, package trades, clearing transactions, and prime brokerage transactions, State Street currently manages these differences through its electronic platforms and manual methods.

2. Reporting Package Transactions

Package transactions are when over-the-counter (OTC) derivative transactions involve the simultaneous pricing and execution of two or more components which require two or more reports to the trade repositories (TR) to specify them within the applicable reporting framework. Companies differ in their approach when reporting packages, with some reporting at the component level and others reporting at the package level. State Street does not believe that an entire package should have one single UTI. A package, by definition, is comprised of two separate transactions which are viewed and reported as such. Using a single UTI would result in the impossibility to report the two legs of the package as the second leg would be treated as an update, or essentially as an overwrite, of the first record with the second since it is important to note that the DTCC TR currently does not support using the same value on multiple legs. An overhaul of package trades reporting would be required to support a unique UTI, which is not necessary. As such, we believe that where component reporting is used for package transactions, UTIs should be allocated for each component that is a reportable transaction.

In addition, the Consultation provides three ways in which a package transaction could be identified or linked including: (i) inherently related; (ii) using a field separate from the UTI; or (iii) through the unique product identifier (UPI). While option (i) can work for certain types of

package transactions, it may not work as well for more complex arrangements for which option (ii) may be more workable.

Furthermore, should there be a requirement related to package transactions, State Street requests adequate time and details on how to implement the requirement. This includes details addressing how non-derivative transactions which may be part of a package should be implemented.

3. Responsibility for the Generation of the UTI

The Consultation provides three options for generating the UTI. These options are: (i) all jurisdictions adopt global rules defining which entity should be responsible for generating the UTI; (ii) compatible rules across jurisdictions as to who generates the UTI; or (iii) have a UTI construct/algorithm that meets the authorities' characteristics, in particular the consistency characteristic, while not necessarily harmonizing the rules about the responsibility for generating the UTI. State Street believes that Option (i), that all jurisdictions should adopt global rules in defining which entity should be responsible for generating the UTI, should be adopted. Option (i) meets all the key attributes including: consistency; neutrality; clarity; scope and flexibility; and easy and timely generation. Additionally, harmonizing the UTI generation rules across borders should provide an easier transition into a harmonized model for market participants.

State Street does not believe that Option (ii) and Option (iii) should be adopted because they would require extensive technical development, would pose complexities that may require agreements with other participants and may delay reporting of some transactions.

4. Timing of UTI Generation

The Consultation proposes that the UTI be generated and available to all relevant parties in time for them to make use of it. State Street believes that UTI generation is only feasible at the point of the transaction. It is much easier if it is executed in a centralized platform, but for manually executed/confirmed trades, it takes time. The harmonized UTI creation will also need to take into consideration regulatory reporting timelines for all jurisdictions. Failure to generate a timely UTI could result in non-compliance with regulatory reporting timelines for one or both parties.

III. UTI Structure and Format

State Street generally agrees with the overall approach to the UTI structure and format proposed in the Consultation. However, there are few points of clarification as stated below.

1. Embedding Intelligence in the UTI will Add Complexity

The Consultation asks whether the UTI should be solely a dummy code with no embedded intelligence. State Street believes that a dummy code with no embedded intelligence will simplify the UTI. The purpose of the UTI is to allow the transaction to be uniquely identified. Any embedded intelligence would not serve this purpose and would add unnecessary complexity and significant technical development and ongoing maintenance.

2. Mint Component is Useful

The Consultation asks whether it is necessary to use a Mint component. State Street believes that the Mint component would be a useful feature of the UTI, but we note that there

could be challenges and suggest further review. For example, challenges could exist because of a lack of LEIs for certain generating parties or challenges with legal entities with multiple platforms. Also, it must be noted that multiple trading platforms need to be synchronized with static data entries. A challenge is maintaining the list from an industry standard across internal and external platforms. Similar to the US swap dealer namespace, there are specific processes that need to be maintained and consistent across internal and vendor platforms. This should be considered when determining how to automate the synchronization of industry static data if registration of a MINT value is required.

3. Significant Impact on System Infrastructure

The Consultation asks whether including or not including certain components in the UTI as proposed in the Consultation would require changes to systems or other systems on which it is dependent. State Street believes that significant changes would be required to systems in order to adopt these changes to the UTI components. Specifically, including the jurisdiction would require the platforms to determine who the trade should be reported to even though no reporting obligations currently exist. As such, this change would require significant development of information technology (IT) structures. Similarly, adding intelligence to the UTI would require platforms to build all the rules to create the UTI based on the intelligence rules; the more complex the rules, the more IT work that will necessary.

4. Format

The Consultation proposes that UTIs be drawn from upper-case characters "A" to "Z"; lower-case characters "a" to "z"; digits "0" to "9"; and possibly other characters used as separators between the different parts of the UTI. State Street agrees with the utilization of upper-case characters "A" to "Z" and digits "0" to "9". We believe there would be major issues with excluding "0" and "1" values as the swap execution facility (SEF) platform and internal system generating UTIs use 0 and 1 in the prefix. Lower-case characters "a" to "z" are unnecessary, as more characters are not needed in the UTI and should not be permitted.

In conclusion, State Street is supportive of the standardization of the UTI as global standards will improve data quality, management and efficiency. Please feel free to contact me at smgavell@statestreet.com should you wish to discuss State Street's submission in further detail.

Sincerely,



Stefan M. Gavell