

The Clearing Corporation of India (CCIL)

Harmonization of the Unique Transaction Identifier (UTI) – Responses

Introduction:

Currently in CCIL-TR both Interbank and Client Transactions in the permissible OTC Derivative Transactions are reported and recorded.

In the case of INR (domestic currency) referenced Interbank transactions, both parties to the Transaction are required to report to CCIL-TR. Once the trades reported by both parties to the trade are matched based on key economic criterion, a Trade ID is generated for the trade.

For the FCY-FCY Interbank Transactions, a large portion of the Transactions are executed with Overseas Counterparties and hence the reporting is unilateral i.e. the reporting is done by the Local entity. These trades are not subjected to a matching process. However, once the deal is validated a Trade ID is generated for such deal.

In the case of Client (Corporate) Transactions, the reporting is unilateral i.e. The reporting is done by the market maker. In the case of CDS transactions, clients are required to affirm the transactions. Once the deal is validated/affirmed a Trade ID is generated for such deal.

From the CCIL-TR perspective, the UTI is Trade ID assigned to each Transaction.

Characteristics of UTIs:

- 1) Neutrality:** The UTI assigned by CCIL-TR does not have any specific reference to a jurisdiction. The UTI is generated using a pre defined algorithm.
- 2) Uniqueness:** Every UTI assigned is specific to a particular transaction. Thereafter every subsequent event reported, is assigned a Unique UTI on matching. Hence it is unique.

- 3) Consistency:** As UTI is generated by the TR, and as the TR ensures that there are no duplicate trades, consistency is ensured. However, where the reporting is to multiple jurisdictions, this condition is not satisfied.
- 4) Persistence:** A new UTI is generated each time a subsequent event is reported. In addition to the life cycle events, enumerated, these include subsequent events like amendments, cancellations and early termination as well. Hence it is partially compliant.
- 5) Traceability:** Every subsequent event reported to CCIL-TR carries the original UTI.
- 6) Clarity:**
- a) The structure and format of the UTI- In CCIL-TR, the UTI has a fixed format.
 - b) Who should generate the UTI- The TR should generate the UTI.
 - c) The timing of the Operation: The UTI should be generated on matching.
 - d) The circumstances (relevant events) in which a change to a transaction would require a new UTI to be generated- A new UTI should be generated at every subsequent life cycle event including amendment, cancellation, early termination and compression.
- 7) Easy and timely generation:** Easy and timely generation of UTI is possible in CCIL-TR. It is automatically generated on matching.
- 8) Respecting existing UTIs:** It should be possible to map the new UTIs to the existing ones.
- 9) Scope and Flexibility:** UTI generation by the TR works well on the assumptions that all counterparties transacting in the country report to the same TR. If there is more than one TR or reporting is required to more than one jurisdiction, this approach may not hold.
- 10) Representation:** In CCIL-TR, the UTI is a 15 digit numeric consisting of three components: the date of matching, a 2 digit identifier for the asset class and a 5 digit identifier (running sequence number) unique to each date.
- 11) Long term Viability:** The current methodology is being used in CCIL since the TR was first set up in 2007, and has served us well.
- 12) Potential characteristic: Anonymity:** Currently, the UTI structure does not include any counterparty details.

Questions:

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.

CCIL Response:In India all OTC Derivatives permitted to be transacted are reported to CCIL-TR. For the domestic Interbank transactions, both parties to the trade are required to be reported, whereas for Cross Border and Client Transactions, the reporting is unilateral. The UTI generation has been tailored to meet this requirement.

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).

CCIL Response: Harmonisations would be required in the following areas:

- 1) The Instruments to be reported could be clearly defined.
- 2) For the purpose of data aggregation and harmonization at a global level, common thresholds across jurisdictions may need to be enforced (We recognize that arriving at such common thresholds may be difficult considering the vast differences in the size of markets in various countries)
- 3) The timelines stipulated for reporting could be varied across jurisdictions. This could lead to some issues on the generation of the UTI. Data dissemination could also be delayed.
- 4) Requirement to report-should be bilateral wherever possible.
- 5) The responsibility for UTI generation to be fixed.

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?

CCIL Response: In the case of CCIL-TR, the package approach is applicable only in the case of Currency Options structures. Each deal within a strategy is assigned a distinct reference number and also a distinct UTI. We feel that each individual deal within a package should be allocated a distinct UTI as the matching of each deal is independent. Besides, each deal may have a different life cycle event and hence each deal within a package should be treated separately. Linkage of the deals within a package can be undertaken separately like in our case through a Product ID.

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

CCIL Response: As mentioned above, we feel that a separate UTI should be allocated for each deal within a strategy. Any subsequent event thereof on the deal should also be assigned a distinct UTI. A separate field could be used to assign the linkage between deals in a package.

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?

CCIL Response: Option (ii) is preferable i.e. we prefer the option of having a field in each package transaction report that links the separate reports that represent a package, and this field being separate from the UTI. In our case this is the Product ID. This Product ID is distinct to every package and remains the same throughout the life cycle of the transaction.

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

CCIL Response: In the case of Option i, it may be difficult to embed the information in the UTI while still complying with the desired characteristics of UTI.

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.

CCIL Response:None

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.

CCIL Response: We agree that in examples a, b & c furnished the previous UTI should be maintained. In case d and e, where there is a change in the primary economic terms, a new UTI should be generated. We believe that when there is a change to the Primary economic terms of a transaction, a new UTI is required.

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?

CCIL Response: As stated above, in our case each subsequent event requires a new UTI to be created. However there could be jurisdictions where a different practice is followed. Further, different practices may be followed For instance, if a key economic parameter is required to be modified, some jurisdictions would permit a modification whereas some would require the trade to be cancelled and a new trade to be re booked. Hence, best practices should be suggested in these areas. We believe that independent generation of the UTI suggested as Option 3 in page 19 of the document will avoid the problems anticipated.

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

CCIL Response: Yes, linking related transactions through life cycle events is required.

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

CCIL Response: Instead of stating multiple prior UTIs, a single prior UTI could be used. This prior UTI should be the UTI of the original transaction. If at any point, the entire life cycle of events needs to be traced, it could be done through the prior UTI.

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.

CCIL Response: Incorporating a successor UTI may become difficult. If there have been several events on a transaction, there would be a chain of successor UTIs to deal with. Further, the status of the trade whose UTI is being used as a successor UTI may not be known, whether it is still outstanding or has been overwritten by a subsequent event.

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?

CCIL Response: None.

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?

CCIL Response: From the proposed approaches we favour approach iii, modified to reflect the fact that for all successive events, there will be one prior UTI field which will be that of the original parent transaction.

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?

CCIL Response: We do not advocate embedding link information about lifecycle events into the UTI.

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

CCIL Response: Even in India which has a relatively simple and small Derivatives Market, there are issues stemming from the different rules of different jurisdictions. E.g. a branch of a US Bank concludes an INR IRS trade with a branch of a European Bank. Both banks have to report to the TR in India, and the TR issues a UTI. Each bank has further to contend with separate home country regulations that often differ regarding who will generate the UTI, who will report to which TR. We believe that if Option 3 is adopted, the UTI generated will be the same regardless of which entity has the responsibility of generating the UTI.

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?

CCIL Response: The disadvantage of this method is that each jurisdiction would have its own process and rules for UTI generation. In such a scenario, aggregation of information would become difficult.

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.

CCIL Response: Yes, we do agree with the guidance provided in Option 1. Generation of the UTI should not disrupt the current reporting structure.

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

CCIL Response: a) As this will require changes to rules and regulations and to the systems of banks across the globe, time taken to implement the changes may be very long.

b) It will lead to problems and delays in data dissemination as banks will wait for UTI operation before reporting data.

c) It will lead to delays in reporting and consequent failures to comply with regulatory guidelines.

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

CCIL Response: Depending entirely on who generates the UTI and when the entity reports, local regulations in terms of data dissemination and reporting deadlines would be impacted. Hence, it is preferable that the UTI should be generated by the TR.

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 sufficiently defined? Are there alternative ways of achieving Step 6?

CCIL Response: Option 1 covers most scenarios. It seems to cover the necessary steps and is fairly sufficient. The right of the TR generating UTIs should also be recognized.

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 (eg as the first step in the hierarchy or further down the waterfall)?

CCIL Response: Flexibility is needed for ease of operation, and for building rules that will streamline processes.

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?

CCIL Response: We prefer that the UTI should be generated by the TR to whom the data is reported and the UTI details should thereafter be communicated to the parties to the trade.

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?

CCIL Response:—We feel that the responsibility of generating the UTI should be entrusted to the TR to whom the data is reported. In the case of cross border trades, it could clearly be established which TR should generate the UTI. Thus, if it is clearly established as to which of the TR(s) is responsible for generating the UTI, then Option 1 should be workable across jurisdictions.

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.

CCIL Response: The high level assessment of the Option 2 proposal requires familiarity and a fair understanding of other jurisdictions as well. Further, the attributes being very subjective could lead to some amount of ambiguity across jurisdictions.

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?

CCIL Response: As stated above, the attributes described in option 2 are subjective in nature and could lead to ambiguity. Familiarity with the various processes across jurisdictions may become a problem.

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

CCIL Response: None

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

CCIL Response: As long as the process is well understood, the risks for determining who shall generate UTI is well established and harmonized, we do not see a problem.

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?

CCIL Response: In all cases aligning the Rules will become difficult.

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

CCIL Response: Yes, we believe that if such a solution could be thought of, it would be the best.

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

CCIL Response: A TR which is the main Repository for the UTI will not be able to monitor compliance. The Regulatory bodies will have to clearly define and enforce rules.

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?

CCIL Response: The 3 options suggested are fairly comprehensive and hence no other solution is proposed at this stage.

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?

CCIL Response: If option 3 can be implemented, the problem of contending with differing rules about reporting, differences in entities responsible for generating UTI, differences in understanding and interpreting rules and the fallout in terms of delays in reporting can be avoided.

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.

CCIL Response: In India, timelines have been mandated for reporting various instruments – with the requirement for some being as early as 30 minutes from the time of trade. Therefore, options 1 & 2 could lead to delays in reporting.

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

CCIL Response: Yes.

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?

CCIL Response: Of the components mentioned above, the transaction date is important. It will help to establish the date on which the transaction was undertaken.

The counterparty details could be considered as well.

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

CCIL Response: If a standard algorithm is agreed upon, then a check digit may be required to ensure uniqueness of the UTI so generated.

Question 38: Which components, if any, should be included in the UTI? Which, if any, components 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.

CCIL Response: As stated above, the Transaction date and the Counterparty could be useful components in the inclusion of the UTI. Other components that could be used are the digits after the decimal in the exchange rate.

- 1) The trade date component would help to establish Traceability.
- 2) These components could also contribute to representation and long term viability.
- 3) A combination of the components would also ensure uniqueness.

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?

CCIL Response: The UTI should not merely be a dummy value. It should contain embedded intelligence. The UTI should reflect the counterparties details, data and time of execution. It should not lead to any violation, as this information is already available in TR. Besides, the UTI shall be available with the parties to the trade who are already aware of the trade information.

Question 40: Should the details of how to construct the ID value be defined and, if so, what approach (eg UUID) should be used?

CCIL Response: The details of the ID value could be defined. However if an approach like UUID is adopted, and entails a time stamp element, then issues associated with time stamps, such as difference in time across jurisdictions, servers etc should be taken care of. Ideally, we could consider the construct used by SWIFT in field 22 (common reference code) of its message types as a starting point.

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?

CCIL Response: The legacy UTI will have to be mapped to the new UTI.

Question 42: Is it necessary or practical for the UTI to include a Mint component? If so, is the use of the LEI appropriate for the Mint component 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?

CCIL Response: The UTI could include a Mint component. However, the resultant UTI should not be too long.

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

CCIL Response: A set of criteria will have to be defined to establish the UTI suffix, and further that both the UTI and the UTI suffix meet the criteria. Instead the linkage to a package could be done through a separate field.

Question 44: Will including or not including certain components set out above in the UTI require changes to respondents’ systems or other systems on which you are dependent?
How much change?

CCIL Response: Currently, most jurisdictions have stipulated their own rules for generating a UTI and hence system change is inevitable. However, the UTI should include

such components like the Transaction date which are already included in the Trade Reporting.

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?

CCIL Response: We do not believe that adding intelligence to a UTI should lead to any problems of data leakage. Besides, the UTI shall not be made available in the public domain.

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

CCIL Response:As stated before, Field 22 of the SWIFT Format could be looked at as a starting point.

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?

CCIL Response: The length of the UTI should be precise; it should neither be too long or so short that the components cannot be included. Ideally, the field length of the UTI should not exceed 15.

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)?

CCIL Response: Yes, the UTI should be case sensitive. It should be a mix of alpha numeric characters. It is preferable not to use 0 at the beginning of the UTI.

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?

CCIL Response: As suggested, the UTI should be a combination of alphanumeric characters. As far as possible the use of special characters should be avoided. This practice could be easily be adopted by all jurisdictions.

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?

CCIL Response: A separator may not be required, if specific format has been specified for the UTI with a specific place for each component.

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

CCIL Response: The length of the UTI should be fixed so that there is no ambiguity.

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?

CCIL Response: If the UTI has a fixed format and is as per the revised guidelines, then it is unlikely that the new and the old UTI will be the same. It may not be possible to estimate the risk at this stage. The new UTI will in any case be mapped to the legacy UTI.