Amundi’s response to IOSCO/CPMI consultation

Harmonisation of the Unique Transaction Identifier (UTI)

(September 30, 2015 IOSCO/CPMI)

Amundi is the European leader and ranks in the Top 10 worldwide in the asset management industry with AUM above €950 billion at the end of March 2015. Located in more than 30 countries, Amundi offers a comprehensive range of products covering all asset classes and major currencies. Amundi has developed savings solutions to meet the needs of more than 100 million retail clients and designs innovative, high-performing products for institutional clients which are tailored specifically to their requirements and risk profile.

The Group contributes to funding the economy by orienting savings towards companies development and is active on derivative markets as a powerful tool to better serve client-investors’ needs.

Amundi welcomes the initiative of CPMI/IOSCO to foster the emergence of a Unique Transaction Identifier. The success of the LEI initiative evidences the appropriateness of approaches that help standardization and promote common unambiguous language among actors on the financial markets.

We are eager as well to read the work on UPI that should soon be published. Amundi suggests that LEI success be followed by an extension of the scope of data that could be available with the LEI. We think of characteristics attached to the entity and that are necessary in day to day operations, such as category under EMIR, DFA or tax regulation for example, that could usefully be centralized for common use instead of being double checked by each and every counterparty.

Amundi decided to participate to the present consultation in order to share its experience in the daily functioning of middle office implications of current reporting. The main message is undoubtedly in favour of an UTI with a clear definition as to who should generate it. We answer to questions block by block and not individually since we have more general comments and practical reactions to provide than specific answers to expert 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.

**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).

Amundi believes that the introduction of a single sided reporting would largely help in terms of reporting and largely reduce operational difficulties met on producing and using UTI. Furthermore a clarification on the reporting obligation is necessary in case of cross border transactions.

**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?

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

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?

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.

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.

About the identification of packaged transactions, Amundi would like to share its experience and suggestions. We see instances where the two counterparties of an OTC derivative may not analyse it in a similar manner: one may consider the total strategy as one package with several legs, when the other will consider each leg as a separate transaction. There will eventually be one (or several) UTI expected on one side and several (or one) UTI generated on the other side and the double sided reporting will not match.

Our suggestion is:

1. First, to use as a general rule the UPI classification to determine which packages are ex ante identified as representing one product: for one UPI there must be one UTI and one only, irrespective of the number of legs included in the product.
2. To use, for transactions on other products not identified in the UPI nomenclature, an extra character to identify different legs of what is considered as one package; there will be one UTI per leg and a character to link all the legs of the package; reconciliation could be done on the basis of the central part of the UTI and the extra character will grant the uniqueness of the UTI and enable identification of both the package and each leg if needed.
3. To implement single sided reporting to reduce the number of inadequate “fails” in the reconciliation of double sided reporting.

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.

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 harmonized, are there other steps that could be taken to avoid double-counting of transactions reported to different TRs?

Amundi supports the approach of the consultation paper to strictly limit the number of circumstances when there is a change of UTI. We have, however, a major concern about the case of clearing that is developed in footnote 17. We strongly believe that it is burdensome and useless to report separately and, hence create separate UTIs, in the case of transactions on OTC derivatives that are centrally cleared: one for the execution trade and another for the clearing. The transaction, from the beginning, is intended to (or must) be centrally cleared. Technically there are two successive deals: one with the executing broker and a second with the CM who gives access to the CCP. The final situation is rapidly confirmed and reporting both deals could be avoided. Authorities can trace transactions if they want as the Counterparties are mentioned in other fields of the reporting. Amundi urges regulators to reassess their analysis of risk in case of central clearing through a CCP and to suppress the requirement to report the initial trade prior to its transfer to the CCP. There should, nevertheless, be one exception and trades that have not been accepted for clearing at the end of the day should be reported. Amundi considers that authorities should take further steps to avoid the conflicts of interest that result from a late allocation of block trades. Those trades are mentioned in the Annex, page 34. Regulation in France demands that all trades have an ex ante allocation. We consider this feature as a better
practice and encourage regulators to apply it throughout the EU as an efficient way to reduce risks of manipulation and manage conflicts of interests.

About double counting (see question 9) of transactions that would be reported to different TRs, Amundi would like authorities to realize that the issue would be largely reduced if a single sided reporting where introduced in place of the existing unworkable double sided one.

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

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

**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.

**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?

**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?

**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?

The issue of tracking transactions despite their changing UTI is of primary importance to give adequate transparency for regulators to monitor and oversee the derivative markets. It is quite helpful for stakeholders as well to facilitate the audit track. The solutions linking related transactions in the 4 cases listed are not all easy to implement. The mention of a preceding UTI (as in ii) in a specific field seems an adequate response. It seems easier to implement than embedding it in the successor UTI, and this suggestion in item (i) should be better assessed in terms of workability. Conversely, the idea to add a successor UTI on the last report concerning the changed preceding transaction is not a necessity, since a single sided reference is sufficient to link two UTIs. The difficulty comes mainly from the third and fourth cases, many to one and many to many UTIs. A format that has to be standardized cannot provide extra space for listing several UTIs.

A solution might be to add a flag next to the predecessor UTI to underline the fact that one former UTI is mentioned but that others are also linked to the new deal, or (and it is worth mentioning as well) to indicate that this predecessor code has given birth to several new UTIs. Depending on the value of the flag we would cover cases of one to many or many to one or many to many. There should be a space for comment that could consist on a link towards a table showing the effective correspondence of codes. However, in the case of compression and netting which are specifically traded as such, the fourth suggestion to establish a table reporting the UTI concerned is a possibility that could be considered as a by-product of the exercise of the global transaction and, at first sight, we favour it, without having conducted any thorough analysis.

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

**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?

We share the view expressed at the end of the first § of page 14 that the inconsistency of local regulations may create unbelievably complex situations and we ask Authorities to find ways to suppress legal uncertainty and contradictory requirements as a matter of urgency. Otherwise, the adhesion to the global regulation efforts made over the last years might be severely damaged. And the success of a regulation lies in its acceptance by those who are required to comply to it. The shared
access to a common algorithm that would generate a unique UTI for the same transaction if asked by one or/and the other counterparty, independently and at different times, sounds as an excellent way to ensure rapid access to UTI by each side, but we feel it might be too good to be easy to implement and do not see how it could be practically conceived.

With regard to question 17, Amundi supports the idea of a regulatory designation of the generator of the UTI. It is in our view the best way to suppress uncertainty and reduce operational risk. That applies for all types of transactions, cross-border or not.

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.

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

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?

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?

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?

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?

Option 1 has the advantage of establishing a clear decision tree. We believe that it is the most efficient way to address the question of the designation of the responsible entity to generate UTIs on time.

In order to establish the second table and identify the successive steps, we believe that the principle should be affirmed that the generator should be the closest to the transaction. We agree that step one should be to check whether counterparties have already agreed between themselves of a specific process to designate the generator. The execution platform is correctly placed at step 2, as that is the place the closest to the conclusion of the deal.

We would place the confirmation platform at step 3 and not 4, since confirmation happens prior to the clearing in a CCP which we place as step 4. At that level, Amundi thinks that the CCP should issue a new UTI and keep track of the preceding one. But in terms of reporting, the only obligation should be limited to the reporting of the final transaction with the CCP, the preexisting deals having no further life. This should be systematic as long as the CCP clears a deal that has been made on the same day. We do not agree with proposed step 6 (step 5 having been posted as number 1 disappears from the list). We believe that some counterparties are better equipped than others to create an UTI and would like them to be asked first to do so. As a consequence, instead of designing the seller we recommend to have the investment bank in most cases or, failing that, the broker-dealer intermediary to generate UTI. Otherwise, we would use the suggested 3 successive steps as expressed in the table under step 6.

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.

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

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?

Option 2 relies on general principles that lack operational relevance. We do not see that option 2 could provide certainty about the responsibility for generating an UTI.

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

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

Although we do not master the technicalities of the implementation of an algorithm described in option 3, we are very interested in such a solution. We realise that there is a real challenge to operate an algorithm that would grant uniqueness of the UTI and provide on request the adequate UTI to either counterparty.

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 would suggest to merge option 3 and option 1 partially. In other words, we would start with steps 1 (agreement) 2 (executing platform), 3 (confirmation platform) and 4 (CCP) of option 1 an if need to go further down, use the algorithm as the solution in any other case. The rationale behind this is to capitalize on the industrial process developed by the major actors and not ask less active counterparties to generate UTIs.

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?

Our favorite option is, as mentioned above in question 32, to merge option 1 and 3. If not possible we would recommend option 1 and would be very disappointed to have to implement option 2 since we feel that it does not properly address the question.

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.

If regulators were to ask for an efficient process for a timely generation of UTI, we feel that there would be no reason to fear that option 1 could be difficult to implement.

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

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?

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

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.

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?

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?

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?

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?

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

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?

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?

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

About the format and composition of the UTI, we would like to submit the following observations:

- A code that includes data and is partly intelligent diminishes the operational risk, since human
  attention is able to recognize, even memorize, characters that have a signification and it
  makes work on the codes less rebarbative;

- Date is important to be embedded in the UTI; it will ensure that there is no duplication of code
  before and after the implementation of the new system; Date means the day and we should
  avoid to introduce time in the UTI as it is not necessary and would create conflicts with other
  fields and between reporting by each counterparties;

- The introduction of a package component suffix has been considered as an effective way to
  manage the link between UTIs that have to be related;

- We reiterate that a further suffix to mention that the UTI is the successor or the partial
  successor of one or many predecessor UTIs should be considered;

- Identification of the counterparties allows a quick understanding of a significant characteristic
  of the deal; it brings some life in a series of numbers; however it we can only embed these
  LEIs if the access to the UTI is limited to those that already know or are entitled to know which
  are the counterparties; provided they have a professional secrecy code, Authorities, Clearing
  member, CCP may have access to the UTI as well as counterparties themselves;

- Conversely, a mint would breach anonymity and we do not recommend it; Jurisdiction code is
  not important either and would bring confusion in cross border trades; encoding scheme is not
  necessary.

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?

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)?

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?

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

On the preceding block of questions, Amundi expresses the following views:

- The length of the code should be limited;
- The code should always be completed with the same number of characters and without any blank; it is the only way to ensure that this is the UTI code and not a part of it;
- It should be alpha numeric with two caveats, (i) there should not be any differentiation between lower or higher case and (ii) letters o and i should be withdrawn in order not to conflict with numbers 0 and 1; that leaves 24 letters and 10 numbers;
- No other character should be accepted;
- The part of the code that has a signification should be very limited in order to achieve a UTI code of a reasonable length; we have suggested to incorporate the date (but not the time), a package component suffix and the LEIs of the counterparties within the UTI; ID random number will complement it; we believe that it gives a good balance between the length and the informative content of the UTI;
- If technically feasible, we favour the introduction of separators between the 5 components of the UTI; it would help its readability, though adding extra length;

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?

The incorporation of the date in the UTI will make it easy to differentiate previous UTIs from new style UTIs. If we want to save 1 character we can express the date as a series of 5 numbers starting at 00001 on the first day of implementation of the new system and reaching 99999 more than 270 years later. Most likely the length of the UTI new code will not be equivalent to the length of previous UTIs, creating another way of differentiation.

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?

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