

Governance arrangements for the unique product identifier (UPI): key criteria and functions

Consultation document dated 3 October 2017

Optional response template

Submission of responses via this optional template document would assist with the processing of responses.

The document has been designed to be completed as a form in Microsoft Word. Users are only able to make changes in the question response areas shaded grey.

For context or any defined terms, please refers to the relevant parts of the consultation document at <http://www.fsb.org/wp-content/uploads/P031017.pdf>.

Please save and submit the completed questionnaire as a Microsoft Word document, rather than converting it to a PDF.

The FSB invites stakeholders to provide their responses by Friday 17 November 2017 by e-mail to fsb@fsb.org with “UPI governance” in the e-mail subject line. The feedback received will be taken into account in the FSB’s development of the UPI Governance Arrangements.

You may choose to leave answers blank – in that case it is acceptable to leave the answer reading “Click here to answer text”.

Questions	Answers
General questions	
A. Name of respondent institution/firm	The Depository Trust & Clearing Corporation (“DTCC”)
B. Name of representative individual submitting response	Christopher Childs, CEO & President, DTCC Deriv/SERV LLC
C. Email address of representative individual submitting response	CChilds@dtcc.com
<p>D. Do you request non-publication of any part(s) of this response? If so, which part(s)?</p> <p><i>Unless non-publication (in part or whole) is specifically requested, all consultation responses will be published in full on the FSB’s website. An automated e-mail confidentiality claim will not suffice for these purposes.</i></p>	No
E. About the respondent institution/firm	<p>DTCC provides services for a significant portion of the global over-the-counter derivatives market and has extensive experience operating repositories to support derivatives trade reporting and enhance market transparency. DTCC’s Global Trade Repository service supports reporting across all five major derivatives asset classes and exchange traded derivatives in nine jurisdictions across 33 countries.</p>
F. General or introductory remarks	<p>The Depository Trust & Clearing Corporation (“DTCC”) welcomes the opportunity to respond to the recent consultation document prepared by the Financial Stability Board (“FSB”), <i>Governance arrangements for the unique product identifier (UPI): key criteria and functions</i> (“the “Consultation”). We appreciate the continued leadership of the FSB, the Working Group on UTI and UPI Governance (“GUUG”) and the CPMI-IOSCO Working Group for the Harmonisation of Key OTC Derivatives Data Elements in advancing global data harmonization initiatives.</p> <p>DTCC continues to strongly support efforts to establish a globally standardized reporting solution that assists regulators in obtaining a more comprehensive global view of the OTC derivatives market. Recent activity – including the October 2017 FSB consultative roundtable and CPMI-IOSCO’s technical</p>

Questions	Answers
	<p>guidance on harmonization of the UPI – represents positive developments to advance ongoing global coordination efforts.</p> <p>We concur with the FSB that effective governance of a UPI System will further the Pittsburgh Group of 20 (“G20”) goals by consistently identifying globally traded OTC derivative products and facilitating the aggregation of data held in trade repositories around the world.¹ The establishment of an appropriate and effective UPI governance arrangement that is globally adopted will therefore be critical for successful implementation and ongoing production of the UPI System.</p> <p>DTCC provides the following considerations leveraging our experience not only as an operator of trade repositories globally but also as operator of the Global Markets Entity Identifier (“GMEI”) utility. Since 2012, DTCC has overseen a global legal entity identifier (“LEI”) data management system offered in collaboration with SWIFT. The GMEI utility creates a single, universal standard identifier for organizations or firms involved in financial transactions internationally.² The utility has issued more than 300,000 LEIs to entities from over 200 jurisdictions, representing more than 40% share of the total LEIs issued worldwide.</p> <p>In addition to providing responses to the FSB’s specific questions contained in the Consultation, which are set forth below, DTCC has identified broad themes that we recommend the FSB take into account as it considers UPI Governance Arrangements. It is important to note that we provide these broad themes and responses on the basis that UPI Service Providers are the assumed issuance approach. However, DTCC recommends that the FSB consider issuance through taxonomy. For example, use of the existing ISDA OTC Derivatives Taxonomy – which is widely used by industry participants – would offer a more efficient and less costly approach than an allocation agency, which would be required for UPI Service Provider issuance.</p>

¹ See FSB Consultation Document, 4. Key Criteria for the UPI Governance Arrangements; *4.1 Public Interest*.

² In 2012, DTCC and SWIFT leveraged existing capabilities to build the first LEI database, known as the CICI Utility (CFTC Interim Compliant Identifiers). The CICI Utility (now the GMEI utility) was built to help firms comply with global swap data reporting regulations.

Questions	Answers
	<p>We agree that UPI Governance Arrangements should not be unnecessarily complex or costly. As outlined in our responses to certain specific questions below, DTCC recommends that the FSB permit multiple UPI Service Providers. A cost benefit analysis comparing the use of one provider versus multiple providers would help ensure that industry costs do not increase unnecessarily. Additional recommendations for FSB consideration include:</p> <p style="text-align: center;"><i>1. Continue to Provide Clear and Consistent Guidance</i></p> <p>DTCC strongly encourages the FSB to provide clear and consistent guidance regarding UPI Governance Arrangements to minimize potential implementation and adoption challenges. This includes clearly defining workflows and responsibilities of UPI Service Providers, including guidance regarding the generation, maintenance, distribution, controls and data quality for UPIs. In addition, guidance as to who will own the generation of UPIs must be clearly outlined in UPI Governance Arrangements.</p> <p>To increase efficiency and promote consistency across frameworks, DTCC believes that UPI Governance Arrangements should align with additional global frameworks including the LEI, the UTI and other critical data elements for OTC derivatives. To further ensure consistency, we recommend that all data elements used for reference data be included in CPMI-IOSCO’s guidance regarding Other Data Elements (“ODE”).</p> <p style="text-align: center;"><i>2. Ensure Ongoing Industry Engagement</i></p> <p>Industry participation in the governance system is a critical element of successful UPI implementation and adoption. To assist regulators in aggregating data at a meaningful level, DTCC strongly encourages continued coordination with the industry. This would help ensure data quality throughout the UPI System as practitioners in the industry are well placed to provide meaningful insight into best</p>

Questions	Answers
	<p>practices and potential challenges. DTCC also recommends that selection of UPI Service Providers be conducted in conjunction with industry experts.</p> <p style="text-align: center;"><i>3. Identify a Roadmap to Implementation</i></p> <p>A clearly defined roadmap and timeline for implementation of the UPI System should remain a core element of the FSB's governance approach. This would assist industry efforts in preparing for implementation and adoption of the UPI System while allowing firms to potentially coordinate, where applicable, with additional compliance obligations.</p> <p>DTCC welcomes the opportunity to further discuss these comments and to provide additional recommendations related to governance arrangements for the UPI.</p>
G. Date of response	November 17, 2017
Consultation questions	
Q01. Do you consider any further criteria should be included in the above list?	Click here to enter text.
Q02. Are there ways in which any of the key criteria should be modified? If so, which ones and how?	Click here to enter text.
Q03. Should the UPI System operate on a cost recovery model? If not, what is the suggested alternative and how does it fit with other governance criteria?	As discussed during the October 2017 FSB consultative roundtable, DTCC concurs with the industry consensus that the UPI System should operate on a cost recovery model. We believe that the cost recovery model must allow for a return, in order to permit for potential reinvestment in upgrades and future functionality requirements.
Q04. How should cost recovery be defined in the context of UPI? How should a UPI Service Provider be permitted to recover its costs? Should start-up, infrastructure, and initial creation of UPI Code costs be treated	Click here to enter text.

Questions	Answers
differently than ongoing maintenance and other continuing costs of operating a UPI Service Provider?	
Q05. How should costs be allocated amongst stakeholders?	DTCC advises that before a cost structure and allocations can be formalized, the user categories and obligations of those who issue and maintain UPIs must first be defined clearly.
Q06. How should a UPI Service Provider provide its rationale for calculating cost recovery? What level of transparency and frequency of disclosure of cost by a UPI Service Provider is required to demonstrate that the UPI System is being administered on a cost-recovery basis? For example, should a UPI Service Provider be required to undertake an audit or other type of review of its costs? To whom should transparency be provided (e.g. to Authorities and/or the public) and under what circumstances?	To demonstrate that the UPI System will continue to be administered on a cost-recovery basis, DTCC recommends that the appropriate oversight authority require documentation of the UPI Service Provider's cost-recovery model. This requirement should be clearly outlined in governance procedures and documentation should be made accessible to the public.
Q07. Should there be different categories of users to describe entities that interact with the UPI Service Provider(s), utilise the UPI System, or access the UPI Reference Data Library in different ways, such as creation of a UPI Code versus leveraging an existing UPI Code, and at different frequencies? How should those categories be defined and should there be different associated costs based on the type and frequency of use of UPI Codes? How would different cost considerations apply to different aspects of the UPI System?	DTCC recommends that the FSB consider different associated costs based on the type and frequency of the use of UPI Codes. For example, DTCC believes that basic service and UPI Code issuance should be provided free of charge while more timely and automated services should be made available for a fee determined by the governance/terms of the UPI fee structures. This approach would help ensure that fees paid by stakeholders do not discourage use of the UPI System. As stated in the Consultation, DTCC concurs that authorities' use of the UPI System should be provided free of charge. ³
Q08. Should access to, and use of, the UPI Reference Data Library (which includes the Data Elements therein) be unrestricted? If not, what types of usage restrictions would be appropriate and to whom should they apply?	DTCC anticipates that UPI Codes will be used in public reports and dissemination. Therefore, we believe that access to the UPI Reference Data Library should remain unrestricted and available for stakeholder access.

³ See FSB Consultation Document, 4. Key Criteria for the UPI Governance Arrangements; 4.7 Cost.

Questions	Answers
What would be the consequences, including for harmonisation, of having usage restrictions on the UPI Reference Data Library?	
Q09. Should the UPI Reference Data Library be subject to any intellectual property restrictions? If so, what types of restrictions would be appropriate? What would be the consequences of having any intellectual property restrictions on the use of, or access to, the UPI Reference Data Library?	As stated in DTCC’s response to Question 7 above, DTCC believes that identifiers should be free and readily available, and not subject to intellectual property restrictions.
Q10. Are there any types of ownership or membership structures of a UPI Service Provider that could create conflicts of interest? If so, please describe.	To avoid potential conflicts of interest, DTCC advises that UPI Service Providers should not bundle the creation of UPIs with additional services nor subsidize creation or distribution with revenues from other business lines. This would help ensure that the UPI remains freely available once established.
Q11. What kinds of business continuity arrangements would it be reasonable to expect from a UPI Service Provider?	DTCC strongly recommends that UPI Service Providers align with current CPMI-IOSCO standards applicable to trade repositories. This will assist in promoting consistency and help ensure that effective business continuity arrangements are implemented and remain in place.
Q12. What Governance Frameworks for other universal identifiers should or should not be considered in designing the UPI Governance Arrangements and why?	<p>Consistent with the Consultation, DTCC believes that UPI Governance Arrangements should consider and align with additional frameworks including the LEI, the UTI and other critical data elements for OTC derivatives.⁴</p> <p>We recommend that the FSB consider the general structure of LEI governance arrangements as an initial framework from which to design concise and cost effective UPI arrangements.</p>
Q13. Which elements of such frameworks would be useful or not useful for the UPI Governance Arrangements and why?	Per FSB guidance, a network of local operating units (“LOUs”) to issue LEIs was established and the Global LEI Foundation (“GLEIF”) – a private sector foundation to govern the federated operating model that issues and maintains

⁴ See FSB Consultation Document, 4. Key Criteria for the UPI Governance Arrangements; 4.11 Consideration of other Governance Frameworks.

Questions	Answers
	LEIs and the associated reference data – was created. DTCC recommends that the FSB consider a similar approach for UPI issuance by permitting multiple UPI Providers and adopting a central point of UPI data aggregation and governance.
Q14. Do you agree with the articulated areas of governance identified above?	To promote the establishment of clear and concise governance arrangements, DTCC recommends that the FSB consider simplifying Consultation Sections <i>5.1 Functions Related to Ongoing Generation of UPIs</i> and <i>5.2 Functions Associated with the Oversight of the UPI System</i> . For example, F5.2.3 (B) provides the necessary guidance under <i>Functions Associated with Oversight of Ongoing Operations</i> and, if expanded with additional guidance regarding who owns UPI governance and who is responsible for changes related to governance, could serve to replace all remaining sub bullets.
Q15. Can you suggest any refinements or modifications to any of the functions therein?	Click here to enter text.
Q16. Can you suggest any other functions that should be included in the above list?	Click here to enter text.
Q17. Could a UPI Service Provider also be expected to develop human readable aliases for UPI Codes to satisfy the needs of particular jurisdictions or other stakeholders? Why or why not?	DTCC recommends the creation of an interface to enable users to look up the definition of a UPI in human readable terms. For trade reporting, a human readable format should not be necessary.
Q18. Are there functions in the list which are not relevant for the UPI in your view and if so which ones and why?	Click here to enter text.

Questions	Answers
Q19. Which entity or entities (or type of entity) would be best placed to perform each of the above governance functions?	DTCC recommends the establishment of a consolidated UPI Governance Structure that aligns with additional governance structures for UTIs and other data elements.
Q20. Do you see a need for the UPI Reference Data Elements to be standardised by an International Standardisation Body and if so why? Are there aspects in which this would be impracticable? If so, please describe those aspects.	Yes, DTCC believes that UPI Reference Data Elements must be standardized by an International Standardization Body. Feedback received during the October 2017 FSB consultative roundtable indicated that underlying identifiers – a key UPI Reference Data Element – may not be harmonized. DTCC strongly believes this presents a significant obstacle that will likely cause unnecessary confusion and negative downstream impacts due to the resulting complex mapping and use of local identifiers. Without standardization, regional UPIs will be generated which would severely hinder authorities from aggregating global derivatives data.
Q21. What benefits of implementation of the UPI, if any, do you see beyond OTC derivatives reporting? Please justify your answer.	If the UPI is leveraged in additional business processes, it will create efficiency within upstream processes and help drive industry costs down. For example, if a confirmation platform used UPI reference data at confirmation, it could reduce the cost of the existing reference data maintained separately at different points of the trading lifecycle. If the UPI is used outside of trade reporting, it will also increase the data quality of the UPI and reference data.
Q22. What would be the respective costs and benefits of the different potential models to administer the UPI System specified above?	DTCC recommends that the FSB consider multiple UPI Service Providers with the option for those providers to participate in all or some of the relevant asset classes.
Q23. What would be the impact on market participants and other key stakeholders of having multiple UPI Service Providers (whether across asset classes or serving the same asset class) in terms of:	

Questions	Answers
(a) cost;	As outlined in DTCC’s response to Question F above (General or Introductory Remarks), we believe that a cost benefit analysis comparing the use of one provider verses multiple providers would help ensure that industry costs do not increase unnecessarily.
(b) ease of use of the UPI System;	There is no anticipated impact on ease of use of the UPI System with multiple service providers.
(c) their ability to conform to the UPI Technical Guidance; and	An appropriate and effective governance structure should facilitate conformity to UPI Technical Guidance.
(d) their ability to associate UPIs with products in a timely manner at least to facilitate the discharge of reporting obligations for OTC derivative transactions?	An appropriate and effective governance structure should facilitate timely reporting as soon as technically practical.
Q24. Should one or a limited number of UPI Service Providers be selected at the outset? Should the UPI Governance Arrangements allow for additional UPI Service Provider(s) to be incorporated over time?	DTCC recommends that the UPI Governance Structure permit the addition and removal of UPI Service Providers over time.