

CPMI-IOSCO  
c/o IOSCO Secretariat  
International Organization of Securities Commissions  
Calle Oquendo 12  
28006 Madrid  
Spain

Submitted via email to [uti@iosco.org](mailto:uti@iosco.org) and [cpmi@bis.org](mailto:cpmi@bis.org)

London, September 30<sup>th</sup> 2015

## Consultation Report on *Harmonisation of the Unique Transaction Identifier*

Dear Sirs,

Markit is pleased to submit the following comments to CPMI-IOSCO in response to its Consultation Report on *Harmonisation of the Unique Transaction Identifier* (the "**Consultation Report**").

Markit<sup>1</sup> is a leading global diversified provider of financial information services.<sup>2</sup> Founded in 2003, we employ over 4,000 people in 11 countries and our shares are listed on Nasdaq (ticker: MRKT). Markit has been actively and constructively engaged in the debate about regulatory reform in financial markets, including topics such as the implementation of the G20 commitments for OTC derivatives and the design of a regulatory regime for benchmarks. Over the past years, we have submitted more than 120 comment letters to regulatory authorities around the world and have participated in numerous roundtables.

### Introduction

Markit's derivatives processing platforms are widely used by participants in the OTC derivatives markets today and are recognised as tools to increase operational efficiency, reduce cost, and secure legal certainty. With globally over 2,000 firms using the various MarkitSERV platforms that process, on average, 90,000 OTC derivative transaction processing events per day they form an important element of the workflow, and also in supporting firms' compliance with several regulatory requirements across jurisdictions. Specifically, the MarkitSERV platforms facilitate the electronic confirmation of a significant portion of OTC derivatives transactions worldwide, submit them for clearing to 16 CCPs globally, and, for many counterparties,<sup>3</sup> report their details to trade repositories ("**TRs**") in Europe, the United States, Canada, Japan, Hong Kong, Singapore and Australia.

---

<sup>1</sup> See [www.markit.com](http://www.markit.com) for more details.

<sup>2</sup> We provide products and services that enhance transparency, reduce risk and improve operational efficiency of financial market activities. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. By setting common standards and facilitating market participants' compliance with various regulatory requirements, many of Markit's services help level the playing field between small and large firms and herewith foster a competitive marketplace. For example, Markit's KYC Services provide a standardized end-to-end managed service that centralizes "Know Your Client" (KYC) data and process management.

<sup>3</sup> Globally, we currently report transactions to Trade Repositories for over 100 firms and more than 1,000 entities, including most of the large, globally active dealers.

## Executive Summary

Markit welcomes the publication of the Consultation Report on Harmonisation of the Unique Transaction Identifier. On the basis of our derivatives processing activities we have been directly involved in the efforts by the industry and regulators for supporting data standardisation and enhancing the quality of the trade data that is reported to Trade Repositories. We support such efforts that aim to ensure the consistent use of identifiers, including LEIs, UTIs and UPIs. Markit's comments are focussed on the following key issues:

### 1. Cost of implementation

We believe that adoption of the current UTI standard would help manage the cost of industry compliance with the guidance issued by the UTI Harmonisation Group in conjunction with global regulators. However, we urge CPMI-IOSCO to consider in the design of any UTI requirements that the industry, in the absence of a global standard for UTI, took the initiative in coming up with practicable standards. All relevant parties have already invested heavily in creating and utilizing these solutions for UTI generation and transmission. We, therefore, strongly encourage CPMI-IOSCO to leverage the existing workflow in any finalised guidance as much as possible. This would limit the cost associated to build and to transition to a new approach and facilitate a timely implementation. CPMI-IOSCO should also consider that the integrity and quality of data would suffer from any significant changes to established and functioning practices, especially during the transition period.

### 2. Structure and format of the UTI

We believe that UTIs should not contain embedded intelligence such as trade details or counterparty information since these details could be appropriately captured in the reportable fields of the trade report. This would also add unnecessary complexity to the generation of UTI and pose significant challenges and costs on the industry, specifically:

- A mismatch between the individual legs of the transaction due to incorrect booking (primarily for voice trades) would result in different UTIs generated by the two parties to the trade. The error correction procedure that would follow would require not only an amendment of the trade details but also of the UTI itself. This would be very costly for the industry and would require updates to several IT systems present throughout the trade workflow and across many firms.
- A transaction that is booked with incorrect economic terms presents a problem of persistence of its UTI. In the event that a correction is made to the trade details the UTI would not match the corresponding trade details. However, a UTI which does not embed intelligence would persist in such a scenario.
- Embedding intelligence in the UTI can result in transmission of confidential information. The only way such details can be included in the algorithm to generate the UTI is if the UTI itself was kept secret which is challenging.<sup>4</sup>

We support a two-part UTI which contains a prefix and a value. The former would ensure that the UTI is unique in the pool of all trades for which a UTI is generated. We also believe that the format should provide appropriate flexibility to the generating party and should ensure backward compatibility while providing certain restrictions in the framework, e.g., requiring a maximum length and banning certain special characters.

### 3. Centralised generation of the UTI

---

<sup>4</sup> For e.g. The Bank Secrecy Act in the US requires confidentiality of the location of physical delivery in a contract.

A vast majority of the trades required to be reported to TRs are routed through at least one of the types of centralised market infrastructures such as Trading Venues and Trade confirmation platforms. We believe that UTI generation by a centralised platform would help resolve two major issues:

- UTIs generated on a centralised platform are unique by design and hence resolve the twin problems of a costly error correction workflow and persistence as mentioned in (1) above. Individual counterparties should be required to generate the UTI only in scenarios where trades are not routed through any of these platforms.
- Trade reporting regimes across jurisdictions differ in terms of the timeliness of reporting. In the event that the counterparty that has agreed to generate the UTI has a later reporting deadline than the other party the trade would be reported without the UTI, hence posing challenges for data aggregation. The generation of UTIs by centralised platforms would resolve this issue.

#### **4. Responsibility of UTI creation**

CPMI-IOSCO discusses three options for a global regulatory approach that would support harmonisation with respect to the entity responsible for generating the UTI.

We believe that the equivalent rules approach of Option 1 would be the easiest to implement and result in the most desired outcome for the industry. However we understand that Option 1 requires a great degree of harmonisation and might thus not be practicable. We hence support a partly harmonised regime where most jurisdictions conform to Option 1 whilst others would follow a compatible rules approach as prescribed in Option 2.

In contrast, we believe that the use of Option 2 as a general approach would create unnecessary complexity where every regime has to ensure compatibility with other jurisdictions. The reporting firms, too, would need to understand a complex mesh of compatible rules that needs to be complemented with bilateral agreements with counterparties in each of those jurisdictions. The use of Option 3 would also result in an expensive error correction workflow for the industry in the event of incorrect booking of trades.

#### **5. Complementary IDs to support UTI**

We believe that the inclusion of elements in the UTI that pertain to denoting transactions as part of a package or transactions being part of a bulk processing event such as netting or compression would make the UTI unnecessarily complex. We therefore recommend that complementary IDs such as Package IDs and Bulk Processing IDs be included in the trade report to allow the identification of trades as being part of a package or a bulk processing event respectively.

#### **6. UTI generating infrastructure**

In Section 7.3 Industry workshop, CPMI-IOSCO states that “There was general support for reliance on infrastructure such as trading venues, CCPs, trade confirmation platforms and data repositories to generate the UTI.”

Markit was in attendance at the aforementioned workshop and we do not believe there was general support for having TRs generate the UTI and only one regulator supported this<sup>5</sup>. We believe that for a transaction reported by both counterparties and containing different economic terms/underlying data would result in the TRs generating two different UTIs for each of the reports.<sup>6</sup> This would make reconciliation and resolution of any error more difficult as we have explained later in this comment letter.

---

<sup>5</sup> This regulator runs its own TR and generates UTIs for trades reported into it.

<sup>6</sup> The broader industry view in relation to this issue seemed aligned with our viewpoint.

## Comments

**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).**

We believe that differences in scope of the reporting requirements between the relevant jurisdictions are generally not problematic as long as the rules around the definition and/or the level of reportable transactions are not conflicting. Reporting regimes generally allow firms to choose the level at which they report individual trades and the approach has mostly been defined by industry best practice.<sup>7</sup> As a general principle the UTI will be assigned at the level at which the transaction is confirmed, specifically:

- A swaption straddle could be confirmed as a single transaction (a “swaption straddle”) or as two transactions (i.e., two swaptions with the same strike and maturity, one a payer and one a receiver). The level at which these transactions are confirmed will be determined by the counterparties and might also depend on their intentions, e.g., if they plan to act on these as separate transactions or as a package.<sup>8</sup>
- Most other swaption and cap-floor structures are confirmed and reported as separate transactions.
- Exotics are another example where a firm may book a number of “legs” internally but confirm and report only a single contingent transaction.
- FX swaps are another example where one firm may view it as a single transaction with a single UTI and the other may view it as a spot trade and a forward, or two forwards as the case maybe.
- For packages please see our response to the package questions 3 and 4.

Any divergence in reporting regimes that would require reporting at a different level, or limitations at a specific TR to accept, for example, swaption straddles or FX swaps as a single trade would cause aggregation issues and duplicate reporting. It should therefore be avoided.

**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?**

We agree with CPMI-IOSCO’s proposed approach to identify package transactions. Specifically, we support an approach where each component of a package is treated as a separate transaction with a UTI assigned to each individual component that qualifies as a reportable transaction according to the rules governing the reporting of that component. We believe that such approach would be consistent with the industry approach to confirmation, and with the level of transactions that are sent to clearing and the level at which they are cleared.<sup>9</sup>

In contrast, we believe that it would be technically challenging if parties were required to assign a single UTI to a package transaction. This is because “package transactions” will often consist of transactions with different counterparties, which will make the generation and transmission of the relevant identifiers difficult.

---

<sup>7</sup> For example the ISDA UTI best practice document which has adopted existing market practices such as confirmation practices

<sup>8</sup> It is worth noting that even if firms confirm and report a straddle as a single transaction they might still book them as two transactions internally due to system limitations.

<sup>9</sup> Swaption straddles are an example where the trade can be electronically confirmed as a single trade as discussed in our response to questions 1 and 2.

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

We do not believe that any other approaches should be considered for the allocation of UTIs to package transactions. As we described in more detail in our response to Question 3, we believe that the proposed component level approach is the only viable option for UTI allocation and the reporting of packages.

**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?**

We believe that the only viable approach to linking components of a package is option (ii), i.e., to populate a specific field in each report for a package transaction that “links the separate reports that represent a package; this field being separate from the UTI”. Such approach could be called the “package ID approach” as it will allow for the use of component level reporting while all parties can tag their reports with the appropriate package ID that will link the individual transactions that form part of the package.

In contrast, we believe that option (i) is not viable since it would be overly complex, difficult to use and thus prone to error, hereby increasing costs and lowering the quality of reporting. The use of Option (iii) would still require the adoption of a package ID as described in the consultation. Therefore, if a package linkage was required by regulators we would suggest adopting option (ii) and leaving it up to the UPI CPMI-IOSCO work stream to determine whether to include a package indicator in the UPI or to apply the UPI to the package.

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

We believe that CPMI-IOSCO should consider that requirements on how to incorporate package IDs as suggested as part of Option (ii) would require an overhaul of current industry practices. As such it would entail significant implementation challenges not only for all of the Trade Repositories that are active across jurisdictions but also for all other relevant market infrastructures such as trading venues, CCPs, and middleware platforms, and the IT systems of all counterparties. In addition to the transmission of the package ID from the broker to the counterparties to the transaction and also to the TR, it would require substantial market infrastructure changes and adoption.<sup>10</sup>

It will therefore be crucially important that any of CPMI-IOSCO’s final recommendations in relation to UTI generation allow for appropriate time and phasing in of implementation. Specifically we believe that the major counterparties and market infrastructures that will need to implement such changes will need to be provided with at least 12 months before the changes become effective in order that the changes can be analysed, coded and tested across the various market infrastructures and actors.

**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.**

We generally believe that regulators should follow a principles-based approach to the allocation of new UTIs. For example, a new UTI should be created when a new transaction is created, or the counterparty to an existing transaction changes. This would cover cases where trades result in other trades being created, e.g., swaption exercises, allocations, novations, prime brokerage trades, clearing, compression, or netting. In our

---

<sup>10</sup> The use of Package IDs would require additional fields and efforts to populate those fields throughout existing workflows.

experience trying to identify every scenario where one trade could result from another trade and creating a definitive set of rules is challenging. This is also because innovation in the marketplace will continue to create new scenarios which will not be covered by the rule set.

That said we generally agree with the contents of the table provided by CPMI-IOSCO in Section 8 as a set of example scenarios. However, we suggest clarifications in the following areas:

- Physical swaption exercises are not covered in the table. In the event that a swaption is settled into a swap there would be a creation of a new transaction and hence a new UTI.
- The table suggests that a full or partial unwind of a transaction is always achieved by executing a partially or fully offsetting trade. However, for non-cleared transactions this is normally not the case. Typically, full or partial terminations (unwinds) would be achieved by fully or partially terminating (unwinding) the existing trade respectively and therefore no new UTIs would be created. We would therefore suggest additional entries are made to the table to cover this scenario.
- A successor event for a credit derivative could result in a split of one-to-many, not just one-to-one.
- It seems that, within the table, CPMI-IOSCO uses the terms “novation” and “assignment” separately. However, in our experience, while subtly different,<sup>11</sup> these terms are used interchangeably within the industry to refer to the same type of event. To avoid confusion we suggest merging these entries into one.

***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?***

We currently apply the UTI/USI<sup>12</sup> at the same level across eight regimes globally and we are not currently aware of any specific issues or difficulties.

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

CPMI-IOSCO stated that “any differences between jurisdictions about which events require a new UTI could make it difficult for authorities to recognise records with different UTIs as constituting the same OTC derivatives transaction.” It concludes that “keeping the same UTI for a transaction in most cases”, “helps to minimise the potential for double-counting the transaction if, for example, it appears in more than one TR.”<sup>13</sup>

We agree with CPMI-IOSCO’s view<sup>14</sup> that it is vital to ensure the consistency of UTIs across jurisdictions and regulatory reporting regimes. We believe that the preferred approach to achieving this objective should be to rely on established industry best practice.<sup>15</sup> CPMI-IOSCO should note that such best practices have been

---

<sup>11</sup> An assignment involves the transfer of an interest or benefit from one person to another. However the 'burden', or obligations, under a contract are not transferred. In contract law and business law, "novation" is the act of either: replacing an obligation to perform with another obligation; or adding an obligation to perform; or replacing a party to an agreement with a new party.

<sup>12</sup> Unique Swap Identifier

<sup>13</sup> See page 12 of the CR

<sup>14</sup> See pg. 12, “Relationship to prior UTI – linking related transactions”

<sup>15</sup> See ISDA UTI best practice.

<http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/uti-usi/>

agreed and implemented by the industry already; it would require only little further work to embed them into a regulatory framework.

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

CPMI-IOSCO has proposed a number of solutions of how to link related transactions through lifecycle events.

We agree that the cases considered by CPMI-IOSCO seem exhaustive. However, we believe that there is a need to distinguish transaction specific lifecycle events such as clearing and novation from other lifecycle events that involve bulk processing such as compression and netting. In case of the latter there may be a many-to-many scenario and the use of a separate bulk processing event ID that is referenced on each trade (e.g. termination, new trade etc.) related to the event seems most appropriate. CPMI IOSCO should note that such approach is current market practice and remains the simplest way of linking all activity pertaining to the bulk lifecycle event.

It appears as if one aspect that CPMI IOSCO has not considered in its analysis is the reason for the linkage. For example a novation that is an allocation as part of a block trade could have two prior UTIs; the original trade and the block trade UTI. Currently a firm cannot report this transaction with two prior UTIs as TRs will only accept one. CPMI-IOSCO should therefore consider allowing for the use of a separate Block UTI field in addition to 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.***

CPMI-IOSCO should note that it would be very difficult to update transactions that have already been terminated; also such requirement does not really seem useful or necessary. Specifically, no regulator requires the creation of successor UTIs today and existing reporting solutions have not been built out to perform this function either. The TRs too, generally do not allow for the updating of transactions that have been terminated or exited. Hence, a considerable change across all established reporting architectures would be needed if assigning successor UTIs on terminated transactions was mandated.

Also, CPMI IOSCO should consider that regulators can obtain information about linkage of a live transaction to a terminated transaction through a method that is already in use in certain jurisdictions<sup>16</sup> to satisfy the UTI linkage recommendations as set out in the consultation. We believe that it would be much more practical for a predecessor UTI<sup>17</sup> to be reported with a successor trade, which would, in case of predecessor transactions being terminated, achieve the desired outcome of creating a linkage between them. The use of *both* a successor and a predecessor UTI seems unnecessary. Moreover this duplication could cause increased error rates as linkages could differ, thereby creating contradiction or ambiguity.

***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?***

CPMI-IOSCO proposed several options of how to create links between transactions in order to enable the creation of an audit trail. We recommend CPMI-IOSCO follow the approach that is most widely used in the marketplace today. Specifically, this would be through the use of the prior UTI.

---

<sup>16</sup> In this context it is worth noticing that the CFTC has recently proposed amendments to Part 45 reporting requirements that would require CCPs to provide successor UTIs for the cleared swaps when reporting a termination (via clearing novation) for an alpha trade. This may be redundant since the CCP is also required to report the predecessor UTI of the alpha on the cleared swaps.

<sup>17</sup> Predecessor UTI and prior UTI is used interchangeably throughout this response.

That said, CPMI-IOSCO should note that the use of prior UTI is not practical for compression activity<sup>18</sup> as it would be both costly and difficult to try to link hundreds of UTIs. For these cases, we recommend CPMI-IOSCO follow the approach that is most widely used in the marketplace today, where a “Bulk Processing Event ID tag” is used to identify transactions that are part of the same compression or netting cycle.

**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?**

CPMI-IOSCO stated it aims to ensure that authorities are “able to analyse the evolution of transactions over time and to check that reporting, trading and clearing are being carried out as required”. In its report, it outlines four different options for linking the UTIs of the predecessor transactions to the UTIs of the successor transactions.

All of these proposals would lead to a transaction having more than one UTI. Our experience has shown that difficulties will often arise where a transaction has multiple predecessor UTIs. One of the challenging questions to be addressed in this context is how far back any linkage should go. For practical reasons, we suggest the use of a “one generation linkage”, i.e., the UTI of the predecessor transaction linking at the most with the UTI(s) of the successor transactions, irrespective of when the successor transaction arises during the lifecycle of the predecessor transaction, and vice versa.

For example, an allocation (successor transaction) that is a novation of an existing block trade would have a UTI that is linked to the predecessor UTI of the block trade but would also need to be linked to the UTI of any possible novation that the block trade is subject to in the future. Further, CPMI-IOSCO should consider that, for bulk events such as netting or compression, it would not be practical to apply thousands of prior UTIs. We suggest that, instead, a bulk processing event ID is added to each event part of the batch. ISDA UTI best practices already exist in this respect and we encourage CPMI-IOSCO to consider adopting those.

**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?**

CPMI-IOSCO states that “authorities generally believe that there should be a way of tracing this evolution through linking the UTIs of the predecessor transactions to the UTIs of the successor transactions, although this is not currently implemented in all jurisdictions”. On this basis it proposed establishing a requirement to link transactions throughout their lifecycle.

We believe that the introduction of any additional constructs that aim to link information throughout the lifecycle of transactions into the UTI itself would complicate matters. We therefore recommend CPMI-IOSCO does not follow such an approach and rather adopts existing industry standards. A UTI will work best for all users globally if it is an elegant, simple and easy to use identifier; embedding history into it will only hamper its usage.

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

CPMI-IOSCO highlights some of the challenges that may arise in the process of the generation of the UTI and circumstances under which different UTIs might be generated for the same transaction.

---

<sup>18</sup> Portfolio Compression is required by various regulatory regimes as a risk mitigation exercise. In Europe it is defined as “a risk reduction service in which two or more counterparties wholly or partially terminate some or all of the derivatives submitted by those counterparties for inclusion in the portfolio compression and replace the terminated derivatives with another derivative whose combined notional value is less than the combined notional value of the terminated derivatives.”  
See MiFIR Article 2 (47).

The report cites two reasons why different UTIs may currently be generated.<sup>19</sup> We believe that CPMI-IOSCO should consider a third reason, where counterparties to a cross-border trade, in the absence of a robust method for communicating UTIs, generate their own UTIs in order to be compliant with their respective reporting deadlines. It is likely that in such a scenario, with the industry lacking a common methodology to generate UTIs, the counterparties to the transaction would produce disparate UTIs.

We strongly believe that, to ensure the success of UTIs, it will be crucial to appropriately address the question of responsibility for the generation and transmission of the UTI. For practical reasons, it will be easiest for a UTI to be generated centrally and communicated by a market infrastructure that is involved at the earliest stage of the workflow for the transaction.<sup>20</sup> This has established itself already as the most viable and practical solution in those asset classes where electronic trading prevails and/or centralized middleware operates.<sup>21</sup> Importantly, such approach will ensure consistency in the generation and the certainty of the UTI provided whilst reducing the challenges of communicating the UTI between the various parties that are involved in the transaction.<sup>22</sup>

For transactions<sup>23</sup> where both parties have an obligation to report the transaction to a TR and they are regulated under different jurisdictions, the party that has the earlier reporting obligation should be tasked with generating the UTI.<sup>24</sup> Importantly, all parties should always have the option to delegate the obligation to generate the UTI to a third party.

***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?***

CPMI-IOSCO has identified three options of “defining which entity should be responsible for generating the UTI”. It further notes that such options “are all intended to provide for UTIs that meet the characteristics both for trades that are within one jurisdiction and for those trades for which the rules of more than one jurisdiction would impact the responsibility for the generation of the UTI.”

We believe that, if global harmonisation of rules was not possible with respect to cross-border and single jurisdiction trades, it would be simpler to have one set of rules in each jurisdiction for firms to follow rather than having differing rules for domestic versus cross border trades.

***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.***

CPMI-IOSCO, in its assessment of the principle of neutrality for the Option 1 proposal of “equivalent rules to specify which entity should be responsible for generating the UTI”,<sup>25</sup> comments that “All jurisdictions adopting

---

<sup>19</sup> The consultation states that: “Different UTIs may currently be generated for the same transaction for the following reasons: 1. A cross-border transaction is reported pursuant to the rules of two jurisdictions, but with different UTIs due to different UTI rules in the two jurisdictions. 2. The counterparties to a transaction subject to double-sided reporting cannot agree on which counterparty should generate the UTI and both generate different UTIs.”

<sup>20</sup> This proposal is similar to generating the Unique Swap Identifier (USI) as proposed in part 45.5 of the Dodd-Frank Act and is referred to as the “first touch principle”. It is also referred to in principle 4 of the ISDA best practice document for Unique Trade Identifier(UTI): Generation, Communication and Matching (updated as of 20 July 2015).

<sup>21</sup> This is generally the case in the asset classes of interest rates, credit and equities. In contrast, the use of centralized infrastructure is less established in commodities and FX.

<sup>22</sup> However, any mandatory generation of UTIs by middleware providers should only be considered for parties present on the middleware which are usually the larger market participants.

<sup>23</sup> Transactions that are executed off-trading venue and not confirmed on trade confirmation platforms

<sup>24</sup> For instance, US Swaps dealer under CFTC’s jurisdiction have the obligation to report in real-time and is stricter than reporting deadline of other jurisdiction. In such a scenario we recommend that the US counterparty be responsible for generating the UTI.

<sup>25</sup> See Option 1, pg.14

equivalent rules for determining which entity should be responsible for generating the UTI should be neutral between jurisdictions”.<sup>26</sup>

We do not believe that neutrality would actually work in this context. This is because differences in the timing of reporting to Trade Repositories under different regulatory frameworks were not considered by the proposals outlined in Option 1.

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

Option 1, as proposed by CPMI-IOSCO, would require only “equivalent” but not “equal” rules to determine the entity responsible for generating the UTI. CPMI-IOSCO has also recognized the fact that various jurisdictions have already undertaken initiatives to implement their own rules. We believe that this is the most pragmatic approach since there is sufficient room for a global initiative to achieve a harmonised outcome while still respecting the laws of individual jurisdictions.

When considering Option 2, we agree with CPMI-IOSCO that “some sets of rules might be compatible but nevertheless lead to ambiguity”. We also believe that an “agreement between counterparties”, which would be required to make the rules compatible in effect, may not always be achievable for every cross-border trade and hence implementation of this option is hence not viable.

Option 3, according to CPMI-IOSCO, “seeks to avoid the need for rules defining which entity should be responsible for generating the UTI” by “instead having a UTI construct/algorithm which can be used independently by different entities for the same transaction and under which they would independently arrive at the same UTI for the transaction”. However, a scenario in which the local rules conflicted with the outcome of the UTI construct would result in a problem of enforceability. Also, since there is no clarity on the final rules of various jurisdictions, this option would be difficult to implement. In the unlikely event that an industry-wide algorithm was agreed upon and UTI is generated independently by either party to a transaction it would not eliminate the risk of incorrect trade booking and UTI creation. CPMI IOSCO should note that the error correction workflow<sup>27</sup> that would follow would be extremely costly for the industry and would require significant updates to IT systems across several firms.

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

CPMI-IOSCO, in its proposed hierarchy for the entity responsible for generating the UTI, has included third-parties, namely CCPs, Trading venues and trade confirmation platforms, each of which can operate outside the jurisdiction of either of the counterparties.<sup>28</sup>

We do not believe that there is any issue in relation to enforceability in cases where a UTI is generated by an entity outside the jurisdiction of one of the counterparties. While regulators may be concerned about having jurisdiction over the party required to generate the UTI, this could be addressed by requiring the local firm to obtain a UTI from the overseas entity within a certain timeframe. If it is unable to do so then the regulator may require the firm to generate its own UTI to facilitate reporting. The local firm, if it was not able to generate UTI

---

<sup>26</sup> See pg.15

<sup>27</sup> The error correction workflow would entail cancelling the reports that were made to the TR since both mismatched UTI and trade details were reported to the TR. This would also require updates to the IT systems to both counterparties and all central market infrastructures.

<sup>28</sup> Trading venues and CCPs usually require authorisation/recognition from either one or both the jurisdictions of the trading counterparties but nevertheless are supervised by the jurisdiction in which they are domiciled.

on its own, should be allowed to delegate this task to a third party while still being ultimately responsible for the generation of the UTI.<sup>29</sup>

MarkitSERV, as a third party, generates UTIs for parties to derivative transactions even though we are not an entity with a reporting obligation. On that basis we play a key role in the generation and communication of UTIs. We will adhere to applicable regulations whilst we also develop and adopt industry best practice as agreed by industry working groups. If and when a UTI standard is published by CPMI-IOSCO, we would look to evolve our approach to adopt this.

***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?***

CPMI-IOSCO proposed a hierarchy for defining the entity responsible for generating UTIs. The order lists trading platforms, CCPs<sup>30</sup> and trade confirmation platforms.<sup>31</sup>

However, we believe that the hierarchy for the responsibility of generating the UTI should consider the trade workflow that is prevalent in the industry. Specifically, in asset classes where all three market infrastructures (trading platforms, CCPs and confirmation platforms) are involved for most of the transactions it is reasonable to provide responsibility for UTI generation to trading platforms for transactions that are executed on such venues. This is because trading platforms will be the first infrastructures to be aware of these transactions ("first touch principle"). Trading platforms should be able to delegate the task of UTI generation, for example to middleware such as MarkitSERV, as some platforms do today already.

In this context, the industry has followed an ISDA-designed asset class tie-breaker logic<sup>32</sup> which should continue to be used going forward. This best practice matches existing drafting logic in the paper confirmations<sup>33</sup> and the existing submission logic in the affirmation process and thus is widely adopted across the industry. For example the interest rate derivative market uses "buyer" rather than "seller" as specified in the table.

***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 (e.g., as the first step in the hierarchy or further down the waterfall)?***

CPMI-IOSCO proposes a 6 step hierarchy for the entities responsible for generating the UTI.

We believe that CPMI-IOSCO should consider revising the hierarchy for reasons presented in our response to Question 21. Furthermore, we do not believe that any flexibility will need to be provided in step 1. This is because, for trades executed on a trading venue, processed on a centralised platform or cleared by a CCP, the UTI can be assigned by any of these centralised market infrastructures; a bilateral agreement between the trading counterparties that define responsibility of generating the UTI would hence not be needed. We believe that the generation of UTIs by a centralised platform would help resolve two major issues:

---

<sup>29</sup> MarkitSERV, the trade processing platform, performs delegated reporting for counterparties in the EU where the reporting counterparties retain the responsibility of verifying that the report is submitted. A similar model could be implemented to enforce the generation of the UTI on the local firm, should the overseas entity fail to generate the UTI within a pre-established timeframe.

<sup>30</sup> For CCPs the hierarchy is relevant for cleared transactions and only for transactions resulting from the clearing process.

<sup>31</sup> See pg. 16

<sup>32</sup> The tie-breaker logic should be applicable only if the transaction is executed off-trading venue and not confirmed on a trade confirmation platform.

<sup>33</sup> A paper confirmation would be used in this context to define any confirmation that is not performed centrally on an electronic platform.

- UTIs generated on a centralised platform are unique by design, preserve the characteristic of persistence and avoid any problems that would be associated with a costly error correction workflow in the case that two different UTIs are generated by the trading counterparties.
- Trade reporting regimes across jurisdictions have separate timeliness requirements. In the event that the counterparty that has agreed to generate the UTI has a later reporting deadline than the other party the trade would be reported without the UTI, herewith posing challenges for data aggregation. UTIs that are generated by centralised platforms would not be exposed to this issue.

We believe that allowing counterparties to agree bilaterally (at level 5) will be sufficient to facilitate UTI generation for those remaining transactions that are not processed through either of the platforms described above.<sup>34</sup>

**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?**

We generally agree with the steps outlined by CPMI IOSCO, however, we recommend removing step 1 and amending step 6 based on our response to question 21.

We note that “CCPs” are placed at Step 3 in the hierarchy but the responsibility of the CCP is only to generate UTIs “for any OTC derivatives transactions that result from the clearing process”. In asset classes where transactions are executed mostly over the counter but processed on central confirmation platforms, transactions, whether to be cleared or remaining uncleared, will first touch such confirmation platforms.<sup>35</sup> In view of this, we believe that the positioning of the CCP at Step 3 is somewhat irrelevant and relates only to transactions resulting from the clearing process which are not covered by the trading venue and electronic confirmation platforms. It would hence be more logical to have trading venue, electronic trade confirmation platform and the CCP in the said order in the hierarchy.

In Step 3, CPMI-IOSCO states that:

“The CCP *can* assign UTIs for any OTC derivatives transactions that result from the clearing process”.

For all cleared trades, only the CCPs (or their delegated third party) would be able to generate UTIs for transactions that result from the clearing process.<sup>36</sup> Since reporting regulations in various regimes require the reporting of both the original transaction and the new cleared transactions we recommend the following amendment to the text:

“The CCP *should* assign UTIs for any OTC derivatives transactions that result from the clearing process”

**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?**

---

<sup>34</sup> CPMI-IOSCO should note that a vast majority of trades that are reported to TRs are routed through either the Trading Venue or Trade confirmation platform and for cleared trades through a CCP.

<sup>35</sup> CPMI-IOSCO should note that, as industry practice, a “vast majority” of trades conducted on trading platforms is also routed through middleware platforms such as MarkitSERV.

<sup>36</sup> This is because in the trade workflow prevalent in the industry, trades are reported to Trade Repositories following its clearing in the CCP and TRs are not considered by CPMI-IOSCO in its consultation as a platform that should be responsible for generating the UTI at any stage of the hierarchy.

CPMI-IOSCO proposes, as Option 1, a hierarchy for the responsibility for generating UTIs that follows the workflow and would require one of the participants to the trade workflow (counterparty, trading platform, CCP or trade confirmation platform) to generate a UTI.

In the first level of the hierarchy CPMI-IOSCO proposes that the counterparty that agrees to generate the UTI should be given the responsibility to do so. However, we do not believe that such approach would be practicable across all regimes. Consider, for example, a cross border trade where only one of the counterparties has the necessary infrastructure in place to generate a UTI and this counterparty has a reporting obligation that is later than that of the other counterparty. In such a scenario<sup>37</sup> the transaction would be reported without a UTI being generated. This option could hence only work if *all* regulators were to agree on harmonizing their reporting deadlines which is unlikely to happen.

We therefore propose that CPMI-IOSCO remove Step 1 but keep the question of counterparty generation of the UTI at Step 5 since it would be more practical to assign the responsibility of generating the UTI to a trading platform, electronic confirmation platform or CCP as defined by the hierarchy discussed above.<sup>38</sup>

***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.***

CPMI-IOSCO expressed, in Option 2, a desire to “allow differences in jurisdictions’ rules provided the rules can achieve the same outcome in defining which entity should be responsible for generating the UTI for any particular transaction”. It also states that “some sets of rules might be compatible but nevertheless lead to ambiguity” and that “other measures such as agreement between the counterparties will presumably be necessary in order to establish which entity should generate the UTI”.

We agree with the assessment of CPMI-IOSCO and the example provided to explain such a “compatible rules” scenario. We also agree that this option is not without its difficulties and that the rules might result in ambiguity or a need for complementary bilateral agreements to “achieve the same outcome”.

***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.***

CPMI-IOSCO recommended a “compatible rules” approach in Option 2 which “achieves the same outcome in defining which entity should be responsible for generating the UTI for any particular transaction” while allowing “differences in jurisdictions’ rules”.

We believe that Option 2 is feasible only if the different rules are truly compatible.<sup>39</sup> Option 2 is more complex<sup>40</sup> than Option 1 and would therefore be more expensive for firms to implement. We also believe that compatible rules might be easier to achieve when considering a smaller number of jurisdictions. However, the UTI is a

---

<sup>37</sup> It is assumed that the counterparty generating the UTI does so only for the purposes of reporting and its UTI generating infrastructure generates the UTI on the date the report is to be made to the trade repository. This is presumably since other trade processing requirements do not allow the counterparty to generate a UTI before the deadline date of reporting to successfully accommodate the reporting deadline for the other counterparty.

<sup>38</sup> Paper trades in general and cross border paper trades in particular would still prove problematic as the differing reporting timelines will make the timely generation and communication of UTIs challenging.

<sup>39</sup> From our experience this has been achieved between Canada and the US with the Canadian regulators in Ontario, Quebec and Manitoba adopting changes to their reporting party hierarchy in order to avoid conflicts with the US rules and thus having differing reporting parties and UTI generators.

<sup>40</sup> As firms would need to understand and follow the rules for each regime specifically rather than following a single global ruleset.

global initiative by CPMI-IOSCO. It would apply to all trades reported to trade repositories and hence cover a large number of reporting jurisdictions. This makes Option 2 more error prone as firms would need to take account of rules in each jurisdiction.

We believe that the equivalent rules approach of Option 1 would be the easiest to implement and would be the most desired outcome for the industry. However, we understand that the equivalent rules approach of Option 1 requires a great degree of harmonisation and might hence not be practicable. We would be supportive of a partly harmonised regime where most jurisdictions conform to Option 1 while others followed a compatible rules approach prescribed in Option 2.

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

Please see our response to Q20.

***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?***

The compatibility approach as described in Option 2 aims to achieve the same outcome as equivalent or equal rules would. We believe that, in order to achieve this outcome, regulators across the various jurisdictions should avoid being overly prescriptive in their rules with respect to the format of UTIs as they would risk making them incompatible with each other. All regulators should allow delegation of UTI generation to a third party to enable the efficient generation and transmission of unique UTIs between trade parties and TRs.

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

CPMI-IOSCO proposed, as Option 3, an approach for the "independent generation of the same UTI". It states that such an approach "seeks to avoid the need for rules defining which entity should be responsible for generating the UTI" by "instead having a UTI construct/algorithm which can be used independently by different entities for the same transaction and under which they would independently arrive at the same UTI for the transaction".<sup>41</sup>

We do not believe that Option 3 is viable. CPMI-IOSCO should note that, while Options 1 and 2 define an approach that would determine the entity responsible for generating the UTI, Option 3 is entity agnostic and calls for an algorithm to generate the UTI itself. We believe that this would require an industry-wide agreement on minute details that would determine the generation of UTI. It would naturally create challenges in defining the algorithm that would generate the same UTI. Some of the challenges that market participants are likely to face when implementing the Option 3 approach are as follows:

- Where firms execute multiple identical trades, which can be the case, for example, in work-ups,<sup>42</sup> they would all have an identical UTI unless the execution timestamp was an input to the UTI algorithm. Including execution timestamp though would create challenges for voice trades where it is not possible to ascertain the exact execution timestamp.
- Creating a UTI based on the trade details would pose problems in situations where the parties to the transaction believe they have the same trade but in reality there are differences in

---

<sup>41</sup> See pg. 19

<sup>42</sup> A situation where several transactions in the same instrument might be executed in short order at the same price.

economics/underlying data. This could lead to the creation of two different UTIs, hence hampering reconciliation and making resolution of the error challenging. The counterparties could bilaterally agree for a UTI for the transaction, but for voice trades it would be particularly challenging. Such problems could be avoided only if both counterparties used the same platform to confirm the transaction and this platform generated the UTI according to the rules.<sup>43</sup>

- There would be a challenge with regard to the persistence of the UTI. For example, if a trade was booked with incorrect economic terms and then amended, either the UTI would need to be changed to reflect the new details or there would be a trade with a UTI that does not match the corresponding trade details.<sup>44</sup>

***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?***

We believe that option 1 should be the preferred approach and should be adopted by CPMI-IOSCO. This is because it not only provides certainty but it is also the most efficient and least expensive approach as it aligns closely with current market practice. By codifying and having regulators adopt this as best practice they can create a standard that tackles the biggest issues in the simplest way. It also carries the smallest implementation risk and minimises changes to the current approach.

Should it not prove practical to achieve regulatory landscape with equivalent rules for the generation of the UTI then a combination of Options 1 and 2 would be the best approach to assigning the responsibility for generating the UTI.<sup>45</sup> This would minimise the cost of generating the UTI for every market participant involved in the hierarchy.

The proposed approach would consist of a hierarchy that requires the central generation of a UTI wherever applicable and, as stated above, promotes consistency and accuracy for the industry and parties to the trade. Any central platform that generates UTIs would also hold a tie-breaker logic and specific jurisdictional requirements (for those regimes that have not fully adopted the requirements yet) in line with the current industry standards.

CPMI-IOSCO should note that such approach has been implemented already and is being used by a large number of market participants. We believe that the cost of making any changes to this approach would be significant and there is little justification for it.

***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.***

CPMI-IOSCO, in its discussion of the timing of the UTI generation, observes that “The UTI should be generated (and available to all relevant parties) in time for them to make use of it, in particular to make a report to a TR”. It also states that “there seems to be no reason in general to provide specific harmonisation of the timing of generation of the UTI provided it is available in time”.

With respect to the hierarchy for the responsibility of generating the UTI, CPMI-IOSCO has stated in Option 1 that the responsibility should lie with the counterparty to the trade that agrees to generate the UTI. We support CPMI-IOSCO’s observation that “In some cases under Option 1, the entity responsible for generating the UTI might not be from the jurisdiction with the earliest reporting requirement”. We believe that the timeliness of the

---

<sup>43</sup> MarkitSERV generates UTIs for transactions processed through its trade-processing platform

<sup>44</sup> This would be the case if the economic terms of the trade are an input into the UTI algorithm

<sup>45</sup> This entails several jurisdictions following an equivalent rules approach and a few jurisdictions implementing rules that are compatible (as prescribed in Option 2).

UTI generation “as quickly as possible after execution”, would suffer in situations where the entity generating the UTI does not belong to the regime that has set a more stringent deadline for reporting.<sup>46</sup> To resolve this issue we have outlined above (in our response to Question 24) that the differing reporting deadlines across jurisdictions could make the first step in the UTI generation hierarchy of Option 1 unviable. Hence, the question of whether there is an agreement between the counterparties on who should generate the UTI should be at Step 5.

Any concern of regulators about the generating party not generating and transmitting the UTI in time could be addressed by requiring the local firm to obtain a UTI from the overseas entity within a certain timeframe; if it is unable to do so then the firm should be required to generate its own UTI to facilitate timely 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?***

CPMI-IOSCO proposes a 5 point approach for the UTI structure and format.

We generally agree with the proposed approach but would caution that the structure and format of the UTI should be flexible while providing a clear framework for the UTI generation. For example, by requiring maximum length, restricting certain special characters from being used and having a framework to provide an appropriate prefix or namespace that ensures uniqueness across generating firms the adoption of the UTI could be achieved in a seamless manner.

When MarkitSERV generates an ID / UTI for a transaction, it ensures its uniqueness by using a platform identifier (i.e., MarkitWire or DSMatch) that is suffixed by a number that is ensured to be unique within that population, that can be used across multiple jurisdictions and that is consumable across all mechanisms. In addition, MarkitSERV uses a unique UTI prefix to ensure that the UTI is unique to the wider pool of global UTIs.

***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?***

CPMI-IOSCO proposed as possible UTI components that could contribute to the generation of the UTI the Jurisdiction, Encoding Scheme, Mint, CP1 & CP2, Transaction date, ID Value and Package component suffix.

We agree that several of these proposed data elements are important from a regulatory perspective. However, we believe there is little reason to require such attributes to be included in the UTI as they are already included within the transaction reports. Any requirement to include them in the UTI would only create significant additional work and cost for the industry<sup>47</sup> whilst not adding value from the regulatory perspective.

Embedding intelligence into the identifier complicates its generation and makes it less user friendly for consumers; we therefore recommend avoiding it. Specifically, we believe that including jurisdiction in the UTI for cross border trades is not practical, including the encoding scheme is not necessary, counterparties should not be included due to confidentiality issues, including the transaction date is problematic when a trade occurs across time zones, and the package identifier would be better addressed by a separate package ID field.

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

We do not believe it is necessary to include check digits in the UTI as it would only further complicate the identifier and make it less user friendly for consumers.

---

<sup>46</sup> For example the CFTC real-time reporting.

<sup>47</sup> The error correction workflow that would ensue from incorrect booking of the trade would be particularly costly for the industry to implement

**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.**

We believe that the UTI should contain both a prefix and a value. We believe there should be flexibility for firms to create a UTI guaranteeing uniqueness within the pool of UTIs they create. We do not believe that there should be embedded intelligence.<sup>48</sup>

**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?**

We do not believe that other information that is already reported as part of the data fields should be part of the algorithm to generate the UTI. This is because it would only add unnecessary complexity to the UTI creation.

In our conversations with regulators and market participants we found that regulators are generally comfortable with sourcing data fields that are not contained in UTI or UPI directly from the trade report. There would be a challenge with regard to the persistence of the UTI if other data elements were to be embedded either directly or as an input to an algorithm. If a trade was executed with incorrect economic terms and then amended either the UTI would need to be changed to reflect the new details or there would be a trade with a UTI that does not match the corresponding trade details.

**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?**

We believe that the details of how to construct the UTI value should not be explicitly defined. We recommend that the structure and format should be sufficiently flexible to enable firms to create the simplest scheme for them to generate unique values, whilst providing an appropriate framework for the UTI generation. For example, specifying a two part identifier, a prefix and value, specifying a maximum length, restricting certain special characters from being used and provide an appropriate prefix or namespace that ensures uniqueness across generating firms should be sufficient.

**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?**

We do not believe there is a need to distinguish “new” UTIs from “legacy” UTIs. The UTI just needs to be backwardly compatible<sup>49</sup>.

The date and time of the execution should remain a separate field and we would discourage its inclusion in the UTI itself in particular because a significant portion of the market is voice-traded and it would be very challenging to capture the exact timestamp for such transactions. In practice, the execution timestamp can also often cause issues for cross-border trades that occur across time zones. Including such values would hence often cause the UTI to differ and would make reconciliation and error resolution more challenging.

---

<sup>48</sup> Trade details should not be used as an input into the UTI algorithm.

<sup>49</sup> Backward compatibility ensures that UTIs are unique with respect to all legacy UTIs

**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?**

We agree that a unique prefix/namespace/mint would provide for uniqueness in the UTIs created across firms while requiring each generating entity to ensure uniqueness in value within its own set of UTIs. Although LEI seems a sensible suggestion as a starting point, some firms are concerned about the length of the LEI being an issue for some legacy systems in use across the industry.

Even if use of the LEI as prefix would work for many generating firms, CPMI IOSCO should note that it would not work across the board, as not all generating firms have an LEI. This situation is likely to persist as some firms are not required to have an LEI and others are not eligible for LEIs. We would therefore suggest that CPMI IOSCO's final guidance provide flexibility in the way the counterparty is identified within the UTI. If LEI is to be used it should only apply for those firms with LEI whilst other firms should be allowed the flexibility to use another Prefix/namespace/mint that is unique to them.

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

We believe that adding the package suffix would add unnecessary complexity to the UTI.

For example, if the trade is incorrectly flagged as part of a package then the corrected trade would need to be provided a new UTI. Generally, the more intelligence is embedded in the UTI, the more challenging it will be to use it as it makes reconciliation and error correction scenarios more complex. Once the incorrect data field is identified the error correction becomes more complex since not only does the errant data need correction but the UTI needs to be changed, too. This would require many systems across firms to be updated.

**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?**

We greatly appreciate the fact the CPMI-IOSCO considers the impact that its requirements might have on necessary changes to systems. This is because, in our experience, such changes do indeed represent a significant cost and effort to the industry and should hence be minimized.

In response to CPMI-IOSCO's question we can confirm that any changes to components of the UTI will require changes to multiple systems and workflows across the industry, particularly in relation to certain cases related to "new versus legacy transactions" or error corrections. It will therefore be important that, following the finalization of any regulatory requirements, a period of time, at least 12 months, is given to the industry to establish and test the necessary systems, policies and procedures.

**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?**

We generally believe that an intelligent UTI is undesirable as it would limit the ability to share the UTI across regulatory regimes due to data privacy concerns and will make its use more complex and challenging. In particular it makes reconciliation and error corrections more challenging and costly (see our response to Q43).

**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?**

We believe that a shorter UTI is in theory more user friendly but not if it becomes a random sequence of characters that is generated by an algorithm. Many firms today make use of relatively long but user friendly

UTIs. We recommend that CPMI-IOSCO restrict the maximum length while allowing firms to use shorter UTIs where practical while ensuring they maintain uniqueness amongst their population of UTIs.

**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)?**

While technically “case” makes a character different in the ASCII character set, we believe that, due to certain legacy systems that are in use across the industry, this may prove a challenge as some systems will only accept capitals. For pragmatic reasons we therefore suggest they are treated equivalent. We believe that CPMI-IOSCO should allow all alphanumeric characters.<sup>50</sup>

**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?**

CPMI IOSCO should note that there are already some restrictions on the use of special characters. We do not believe that all special characters should be banned from the UTI. However, we recognise that certain special characters such as “comma” can cause widespread issues with commonly used formats such as comma separated variable (CSV). We generally believe that it should be possible to reach an agreement on a subset of special characters to be allowed.<sup>51</sup>

**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?**

We do not believe that it is necessary to use separators unless you are trying to embed intelligence in the UTI which we do not support (see our response to Question 43). However, we believe that the prefix/namespace/mint should be a separate field from the UTI value in keeping with the existing market practices.

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

We believe that any guidance on UTIs should contain rules around the maximum length of the UTI. However, it should not prescribe a fixed length as to allow generating firms the flexibility to create a user friendly UTI while maintaining uniqueness.

**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?**

We agree with CPMI-IOSCO’s proposal that the implementation of a UTI should be on a going-forward basis and there needs to be broad industry agreement on this. We encourage alignment to the industry standards that are in place today to the extent possible as such approach will reduce the cost and effort to change across participants as well as the time needed for implementation. Given the appropriate flexibility and by refraining

---

<sup>50</sup> We feel that there is no reason to not allow alphanumeric UTIs since the systems would need an overhaul if they are not allowed. For example a trade 1234580 could today have a UTI of 1234580 but if zero were not allowed a transformation would be required.

<sup>51</sup> Markit would look to adhere to and provide controls around the use of special characters in the future by adapting the existing controls we have in place today.

from embedding intelligence in the UTI we believe that generating firms will be able to adhere to the new UTI format while ensuring uniqueness within their existing pool of generated UTIs.

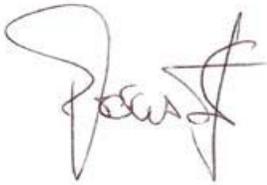
**Question 53: Are the descriptions of lifecycle events complete and sufficiently defined? In particular, are there differences between novations and assignments that are not captured in the table and which are significant for UTI generation? Are the conclusions as to when a new UTI is required correct?**

Please refer to our response to Q8.

\* \* \* \* \*

We hope that our above comments are helpful to CPMI-IOSCO. We would be happy to elaborate or further discuss any of the points addressed above. In the event you may have any questions, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Schuler', with a stylized flourish extending from the end.

Marcus Schuler  
Head of Regulatory Affairs  
Markit  
[marcus.schueler@markit.com](mailto:marcus.schueler@markit.com)