Agenda

• ISDA Workflow Working Group – Introduction
• Global UTI Workflow Whitepaper – Scope; Key Principles
• UTI Prefix – Construct and Waterfall
• UTI Communication Flow – Selected Examples
• Conclusion and Next Steps
• Question & Answer
ISDA Workflow Working Group

*Introduction*

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Scope and Goals
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Global UTI Workflow whitepaper

• “Unique Trade Identifier (UTI): Generation, Communication and Matching”

• Scope: an overview of generation, communication and matching of the Unique Trade Identifier (UTI).

• Counterparties need to report using a common identifier to be compliant with regulation.

• The paper:
  – Outlines best practices, unless otherwise negotiated between Parties.
  – Follows findings conveyed in ISDA’s “Unique Swap Identifier (USI): An Overview Document” (7 June 2012).
  – Is a living document, so will be updated in as a result of discussions and views of industry participants and evolving trading standards and practices.

Key Principles
Key Principles - Overview
Global UTI Workflow whitepaper

1) All trades should have a Unique Trade Identifier (UTI) which is generated, communicated and then matched.

2) If a trade requires a Unique Swap Identifier (USI), this should be used as UTI.

3) Determination of who generates the UTI for paper trades should follow existing industry best practices for that asset class. Examples include:
   - FX - "Our ref / Your ref" protocol.
   - Credit - Where floating rate payer (seller) can be identified, then float rate payer generates UTI.
   - Rates – For a Fix-Float IRS, the payer of fixed will generate UTI.
   - Equities - Seller of performance on any product in the taxonomy will generate UTI.

Refer to "Unique Trade Identifier (UTI): Generation, Communication and Matching" for further details.
Key Principles – Overview (cont’d)

Global UTI Workflow whitepaper

4) If Parties do not have a UTI at time of reporting, report using their own trade reference until a UTI is agreed, at which time they update and re-report with UTI.

5) UTI generation, communication and matching should occur at earliest possible point in trade flow. In order of preference:
   
   • Centrally executed trades: reference is generated and communicated at point of execution on a platform that can generate a UTI and ensure uniqueness.
   
   • Up-front affirmed: reference is generated and communicated at point of submission.
   
   • Back-end confirmation matched (post-trade): reference is generated at submission and communicated at point of matching.
   
   • Paper trades: unless otherwise communicated, a reference is generated by individual firms who share via paper, and update their reporting to reference the UTI for the trade, once agreed by Parties.
Global Unique Trade Identifier (UTI) Prefix

Construct and Waterfall
UTI Prefix Construct & Waterfall
Based on the global (pre-)LEI system

• In order to ensure uniqueness across all reportable transactions, a Unique Trade Identifier (UTI) is comprised of 2 parts:
  1. a UTI Prefix that is unique to the party generating the UTI; and
  2. a Transaction Identifier

• Provided the UTI Generating Party (GP) ensures it always issues a new Transaction Identifier in relation to their UTI Prefix, each UTI should be unique.

• In order to ensure each party has a reserved UTI Prefix, the industry has agreed the approach described on next slide.
UTI Prefix Construct & Waterfall (cont’d)

Based on the global (pre-)LEI system

- Parties should first look to use the CFTC USI Namespace, or any other Namespace which a regulator may have mandated be part of reporting, as UTI prefix.

- Since the USI Namespace is only available to those who register with the CFTC\(^2\), not all trading counterparties are going to have one.

- If a Party has neither, and needs to generate a UTI for global reporting, use characters 7-16 of the global (pre-)LEI as the 10 character UTI prefix.

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UTI Prefix Construct & Waterfall*
Based on the global (pre-)LEI system

Do you have a CFTC USI Namespace, or another regulatory mandated Namespace?

- **Yes** Use the Namespace as UTI Prefix
- **No** Have a 20 character global LEI?

- **Yes** Use characters 7-16 as UTI prefix
- **No** Obtain a 20 character global LEI

* If a trade is not reportable to the CFTC, but a Party has a USI Namespace, that USI Namespace should still be used.
UTI Communication Flows

Select Flows from Whitepaper
Electronic Execution

No Allocation

1. Execution

2. Platform generates UTI (UTI1)

3. Platform shares UTI1 with Party A

4. Party A reports UTI1

5. Platform shares UTI1 with Party B

6. Party B reports UTI1

See “Unique Trade Identifier (UTI): Generation, Communication and Matching” flow 4.1.1
Paper Trades

1. Execution b/w Parties
2. B (in this example) generates UTI1
3. B reports with UTI1
4. Exchange Confirms; UTI generator B includes UTI1
5. Party A re-reports with UTI1

Party A reports with own trade reference, if UTI1 has not been received by time of reporting.

See “Unique Trade Identifier (UTI): Generation, Communication and Matching” flow 4.2.3
Cleared Flow – Affirm in Middleware

Alpha Trade

1. Execution

2. Trade input into Middleware by Broker or one of the Parties

Middleware shares alpha UTI w/ Party A

3. Middlewa share alpha UTI w/ Party B

4. Party B can report trade with alpha UTI themselves

Middleware can report for Parties, or Parties can report themselves

Party A can report trade with alpha UTI themselves

See “Unique Trade Identifier (UTI): Generation, Communication and Matching” flow 4.2.4
Cleared Flow - Affirm in Middleware
Beta and Gamma legs

Party A  Party B  CCP  Middleware  TR

5 UTI for alpha is sent to CCP by Party A/B or Middleware

5 UTI for alpha is sent to CCP by Party A/B or Middleware

6 Upon clearing, CCP sends new UTI (beta) to Party A for beta trade (direct or via Middleware).

Upon clearing, CCP sends new UTI (gamma) to Party B for gamma trade (direct or via Middleware).

7 CCP reports trade to TR with beta/gamma UTIs (Lifecycle event)

Trade can also be reported by Middleware to TR with beta/gamma UTIs (Lifecycle event)

Trade can also be reported by Party B to TR with gamma UTI (Lifecycle event)

Trade can also be reported by Party A to TR with beta UTI (Lifecycle event)

See “Unique Trade Identifier (UTI): Generation, Communication and Matching” flow 4.2.4
Novated over Middleware

Trade between original Parties is agreed and already has UTI 1.

1. Original Trade w/ already determined original UTI (UTI1)

2. Stepping out Party alleges novation in Middleware

3. Stepping in Party agrees novation in Middleware

4. Middleware generates new UTI (UTI2).

5. Middleware shares UTI2 with Remaining Party

6. Middleware shares UTI2 Stepping In Party

7. Middleware can report trade for Parties (UTI2)

8. Stepping In Party can report trade themselves (UTI2)

9. Stepping Out Party may need to report they are no longer Principal (UTI 1)

10. Remaining Party can report trade themselves (UTI2)

See “Unique Trade Identifier (UTI): Generation, Communication and Matching” flow 4.3.1
Conclusion and Next Steps
Conclusion and Next Steps
Global UTI Workflow whitepaper

• Achieve broad industry agreement.

• ISDA Workflow Working Group will continue to meet regulators and industry groups to socialize whitepaper.

• As it is a living document, will be periodically updated in line with evolving standards and practices, and discussions and industry views.

• Additional clearing scenarios to be added

• Further questions or comments? Contact Tara Kruse at TKruse@isda.org and Eleanor Hsu at Ehsu@satoriconsulting.com
Question and Answer