

UNIQUE TRADE IDENTIFIER (UTI) PREFIX
BEST PRACTICE SOLUTION

ISDA Reference Data & Workflow Working Group

This note summarizes the industry best practice solution for the prefix portion of the Unique Trade Identifier (UTI) for non-CFTC registered reporting counterparties.

Background

The Unique Trade Identifier (UTI) is an identifier at the transaction level which remains throughout the lifecycle of a trade. It helps to ensure the uniqueness of contract information and helps to avoid double reporting due to the different reporting requirements of distinct jurisdictions.

Market participants have, in industry working groups, expressed full support for the global Legal Entity Identifier (LEI) system developed by the FSB / LEI ROC. Although the preferred approach was to use the 20 character LEI as the UTI prefix, it emerged during industry discussions that many FX systems were only designed to accommodate up to and including, a 10 character prefix, and could not be easily or readily changed. After weighing the pros and cons of many alternatives for the UTI prefix, including the LEI, the ISDA Workflow Working Group agreed that using a unified solution across all asset classes would be preferable to using varying identifiers for different asset classes.

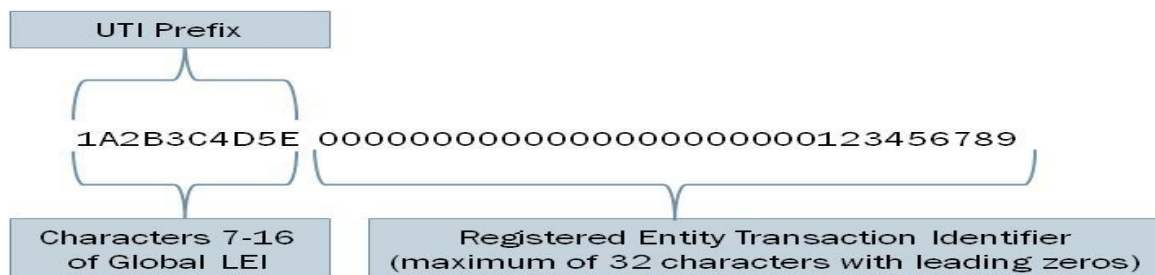
This note summarizes this best practice solution for the prefix portion of the Unique Trade Identifier (UTI).

Best Practice Construct

a. UTI

In order to ensure uniqueness across all reportable transactions, a Unique Trade Identifier (UTI) is comprised of two parts:

1. a UTI Prefix that is unique to the party generating the UTI; and
2. a Transaction Identifier

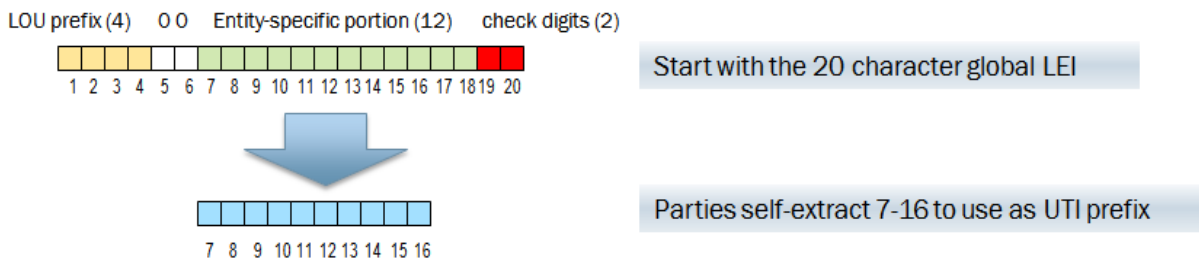


b. UTI Prefix

The Global LEI System¹ is being used as a foundation for the 10 character UTI prefix solution. Characters 7-18 form the alphanumeric, randomly generated², entity-specific portion of the 20 character Global LEI number allocation scheme confirmed by the LEI ROC:

- Characters 1-4: A four character prefix allocated uniquely to each LOU.
- Characters 5-6: Two reserved characters set to zero.
- Characters 7-18: Entity-specific part of the code generated and assigned by LOUs according to transparent, sound and robust allocation policies.
- Characters 19-20: Two check digits as described in the ISO 17442 standards.

It was agreed during industry group discussions taking place from April to June 2013 that the first 10 characters, characters 7-16, of the entity-specific portion of the 20 character Global LEI² should be used as best practice UTI prefix for non-CFTC registered reporting counterparties.



Provided the UTI Generating Party (GP) ensures it always issues a new Transaction Identifier in relation to their UTI Prefix, each UTI value in the industry should be unique.³

Uniqueness

The current LEI ROC number allocation scheme allows for the 10 characters to contain numbers (0-9) or capital letters (A-Z), which results in 36 possible options for each of the ten characters. The total number of possible 10 character combinations is therefore 36^{10} , or 3.66 quadrillion. If the market were to estimate a universe of 500,000 LEIs, this would indicate an approximate 1 in 7.3 billion chance of a collision (e.g. $\{(36^{10})/500,000\}$). In addition, the DTCC has agreed to implement a “collision check” on a weekly basis against a consolidated file which includes all operational LOUs, to verify uniqueness of characters 7-16.

Approach and Applicability - How This Solution Fits with Other Trade Identifiers

The scope of this UTI solution applies to trades which are dual reporting, multi-jurisdiction, non-CFTC registered transactions.

The use of the Unique Swap Identifier (USI) has been mandated by the CFTC and SEC as part of the Dodd-Frank Act. Title 17 CFR Part 45⁴ requires that swap trades under CFTC's jurisdiction be identified by a USI in recordkeeping and swap data reporting. This requirement remains unaffected by the trade identifier solution described in this note; thus, the USI is still required for CFTC reporting.

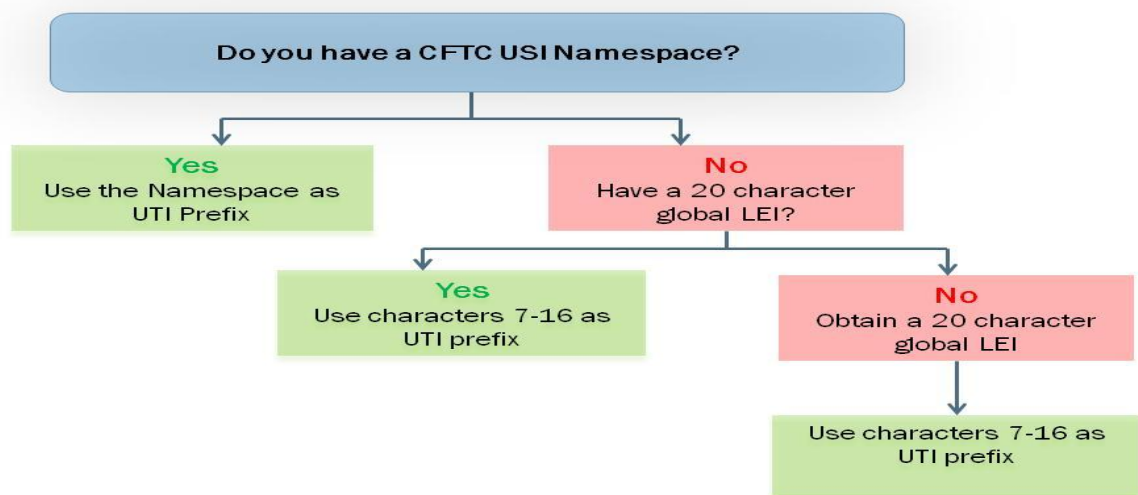
For reporting in other jurisdictions outside of the CFTC, Parties who have a USI should endeavor to use the USI Namespace as the UTI prefix.

In order to ensure each party has a reserved UTI Prefix, the industry has agreed the following approach for each UTI Generating Party to determine their UTI Prefix.

Since the USI Namespace is only available to those who register with the CFTC⁵, not all trading counterparties are going to have one. Counterparties should first look to use the CFTC USI Namespace as the UTI prefix. If a Party does not have one, and needs to generate a UTI for global reporting, the Party should use characters 7-16 of the Global LEI as the 10 character UTI prefix.

"UTI Prefix Waterfall" illustrates the hierarchy.

UTI Prefix Waterfall



Benefits of the Solution

- A unified solution which works across all asset class data management systems
- Uses the existing global Legal Entity Identifier² (LEI) framework, an ISO 17442 standard, ensuring that counterparties do not have to go through another identification registration process, thus avoiding delays
- Results in a unique 10 character UTI prefix³

¹ FSB, "Third progress note on the Global LEI Initiative" Annex 2, October 2012. LEI ROC, "Allocation of Pre-LOU Prefixes for Pre-LEI Issuance" 14 June 2013.

² International Organization for Standardization, "ISO 17442:2012 Financial services – Legal Entity Identifier (LEI)" <http://www.iso.org/iso/home/search.htm?qt=17442&sort=rel&type=simple&published=on>

³ Characters 7-18 form the alphanumeric, randomly generated², entity-specific portion of the 20 character global LEI. Using characters 7-16, containing numbers (0-9) and capital letters (A-Z), as UTI prefix, results in 36 possible options for each of the 10 characters. The total number of possible 10 character combinations is thus 36¹⁰ or 3.66 quadrillion. With an estimated universe of 500,000 LEIs, there would be an approximate 1 in 7.3 billion chance of a collision ((36¹⁰)/500000). In addition, the DTCC has agreed to implement a "collision check" on a weekly basis against a consolidated file which includes all operational LOUs, to verify uniqueness of characters 7-16.

⁴ <http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2010-30476a.pdf>

⁵ For CFTC specifications on USI Namespace, refer to "Unique Swap Identifier (USI) Data Standard" 1 October 2012. <http://www.cftc.gov/ucm/groups/public/@swaps/documents/dfs submission/usidatastandards100112.pdf>