ISDA Safe, Efficient Markets

Best Practice Approach to Global Unique Trade Identifiers (UTI)

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Agenda

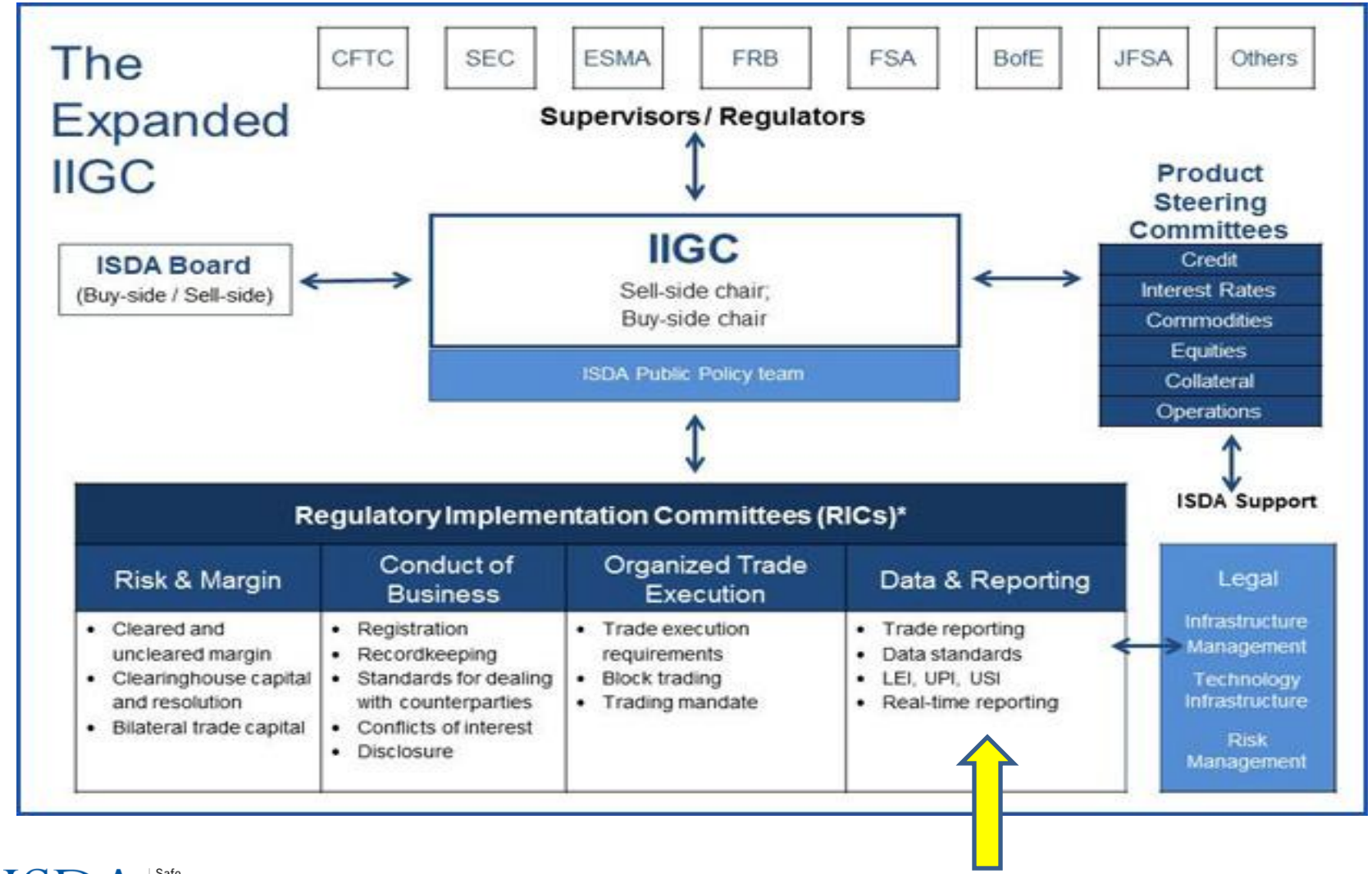
- ISDA Reference Data & Workflow Working Group – Introduction
- Global UTI Workflow Whitepaper – Scope; Key Principles
- UTI Prefix – Construct and Waterfall
- UTI Communication Flows – Selected Examples
- Conclusion and Next Steps

ISDA Reference Data & Workflow Working Group

Introduction

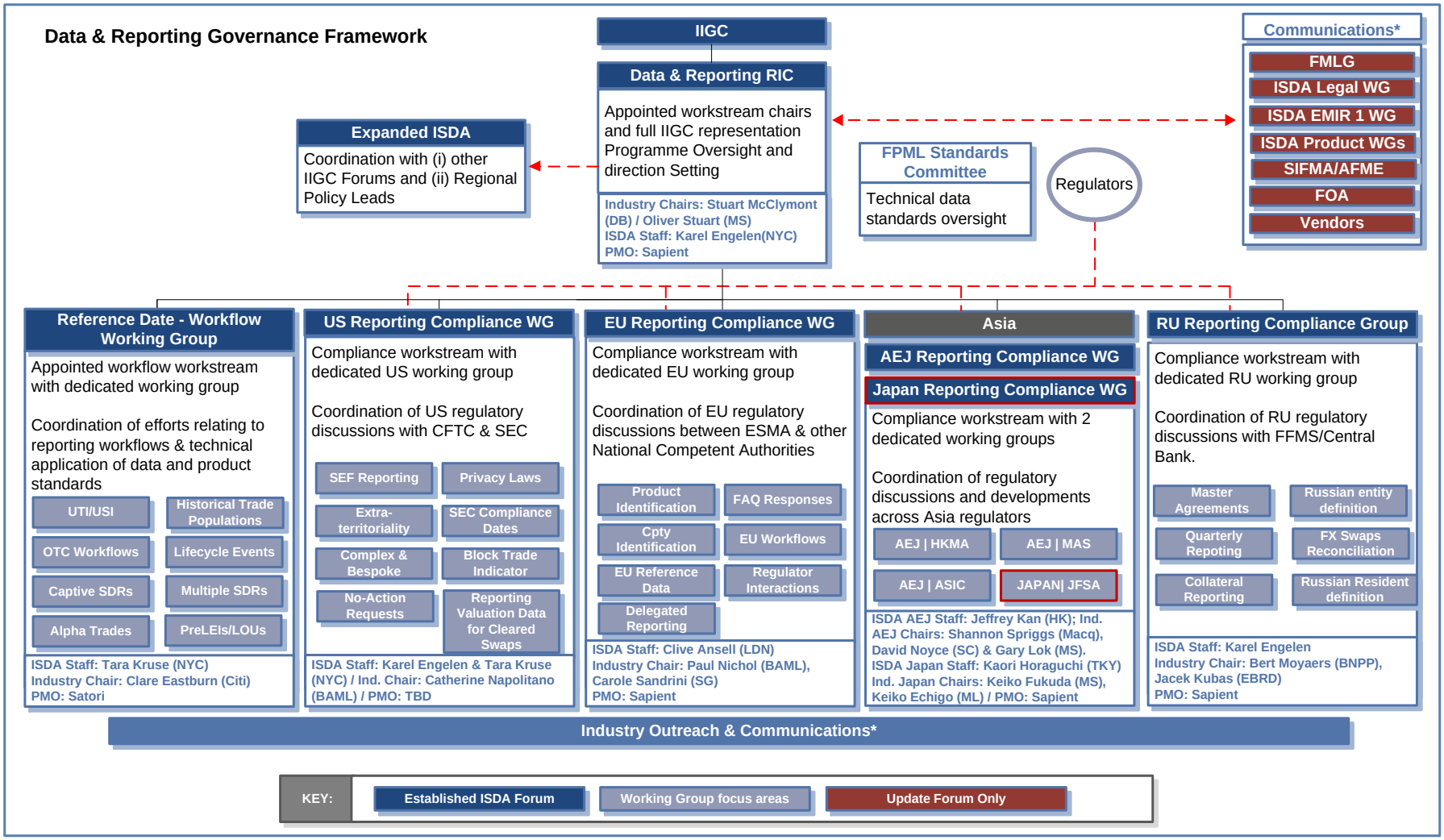
ISDA Reference Data & Workflow Working Group

Within Industry Governance Committee (IIGC) infrastructure



ISDA Reference Data & Workflow Working Group

Data & Reporting Governance structure



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Global UTI Workflow Paper:
"Unique Trade Identifier (UTI): Generation, Communication and Matching"

Scope and Goals

Scope and Goals

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.[1]
  - Follows findings conveyed in ISDA's "Unique Swap Identifier (USI): An Overview Document." (updated 5 September 2013)
  - 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.

[1] Note that the best practice UTI construct outlined in this whitepaper is not subject to bilateral negotiation

Global UTI Workflow Paper: "Unique Trade Identifier (UTI): Generation, Communication and Matching"

Key Principles

Key Principles - Overview

Global UTI Workflow whitepaper

1) All trades should have a Unique Trade Identifier (UTI) which is generated, communicated and, for historical trade populations, 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. For trades where the UTI Generating Party (GP) is unclear, the Parties can agree bilaterally on who will be the UTI GP Examples include[2]:
   - FX – Seller of the option will generate UTI.
   - 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.

[2] Refer to "Unique Trade Identifier (UTI): Generation, Communication and Matching" for further details.

Key Principles – Overview (cont'd)

Global UTI Workflow whitepaper

4) 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 to an affirmation platform or service.
- Electronic confirmation matched (post-trade): reference is generated at submission and communicated at point of confirmation.
- 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, illustrated on slide "UTI Prefix and UTI Construct":

    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 slides "UTI Prefix Waterfall."

UTI Prefix Construct & Waterfall

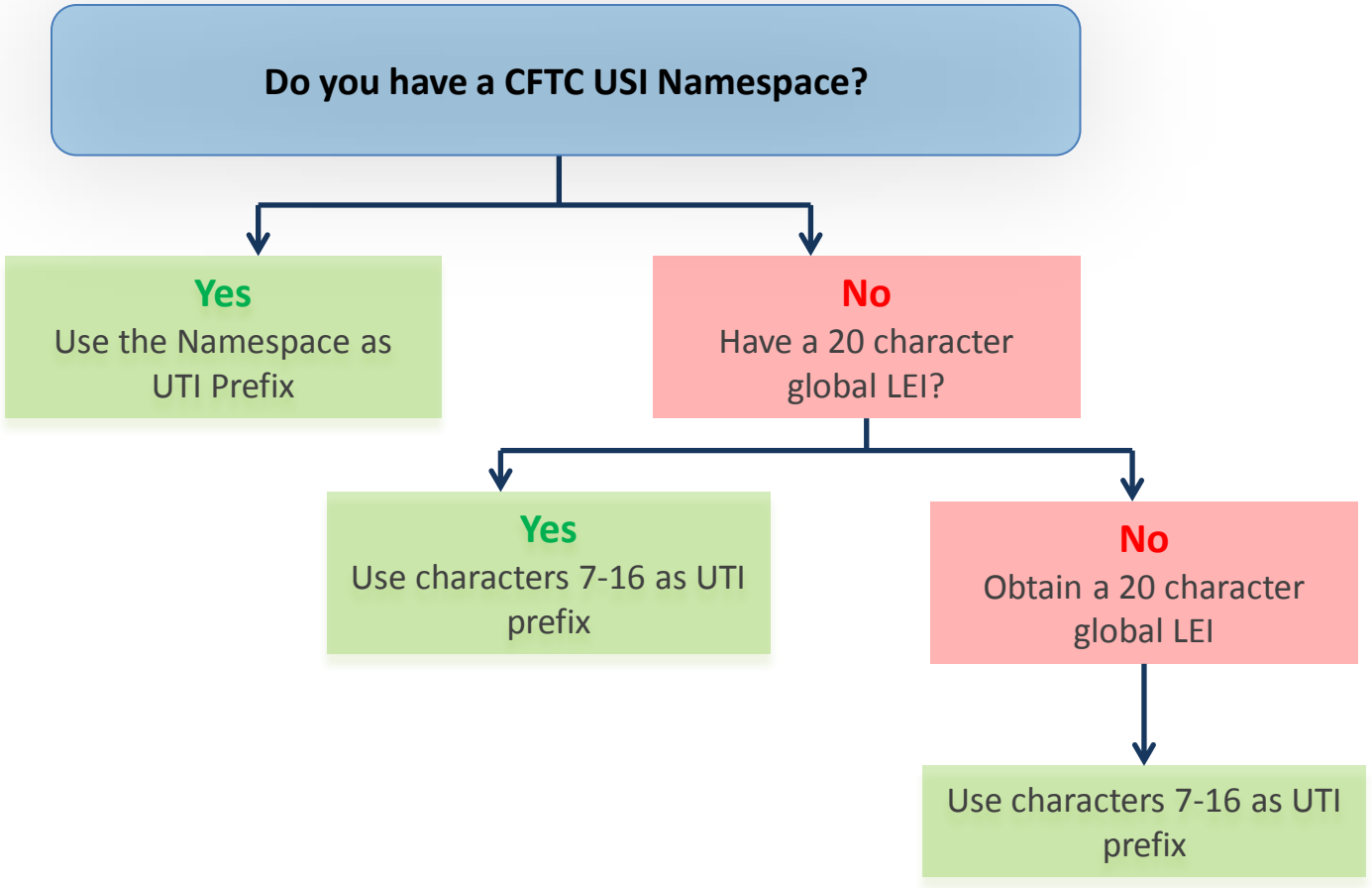
Based on the global (pre-)LEI system

- Parties should first look to use the CFTC USI Namespace as UTI prefix.
- Since the USI Namespace is only available to those who register with the CFTC[3], 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.

[3] For CFTC specifications on USI Namespace, refer to "Unique Swap Identifier (USI) Data Standard" 2012 October 1. http://www.cftc.gov/ucm/groups/public/@swaps/documents/dfsubmission/usidatastandards100112.pdf

Waterfall[4] - UTI Prefix

Based on the global (pre-)LEI system



[4] (a) If a trade is not reportable to the CFTC, but a Party has a USI Namespace, that USI Namespace should still be used.
(b) For UTI prefix, the European Association of Clearing Houses (EACH) recommends that CCPs use the CFTC Namespace where possible. Where a CCP does not have a CFTC issued Namespace, EACH proposes CCPs use the Market Identifier Code (MIC), a 4 alpha character code (ISO 10383), to create the 10 character "MIC Namespace" UTI prefix by starting with 3 zeros, followed by the MIC code, and then three additional zeros. For example "000CCPA000."

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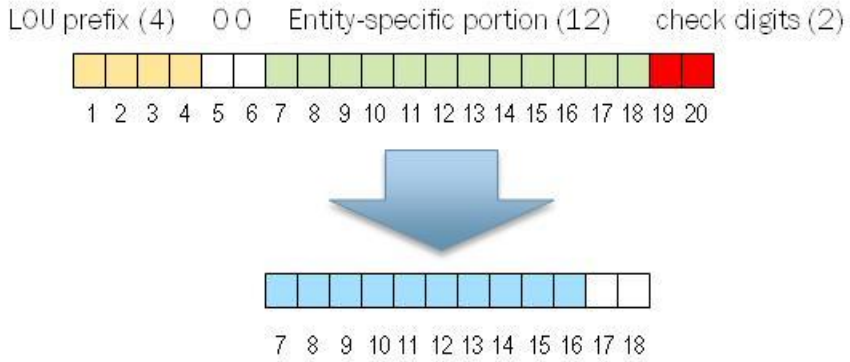
Construct - UTI Prefix and UTI

Based on the global (pre-)LEI system[5]

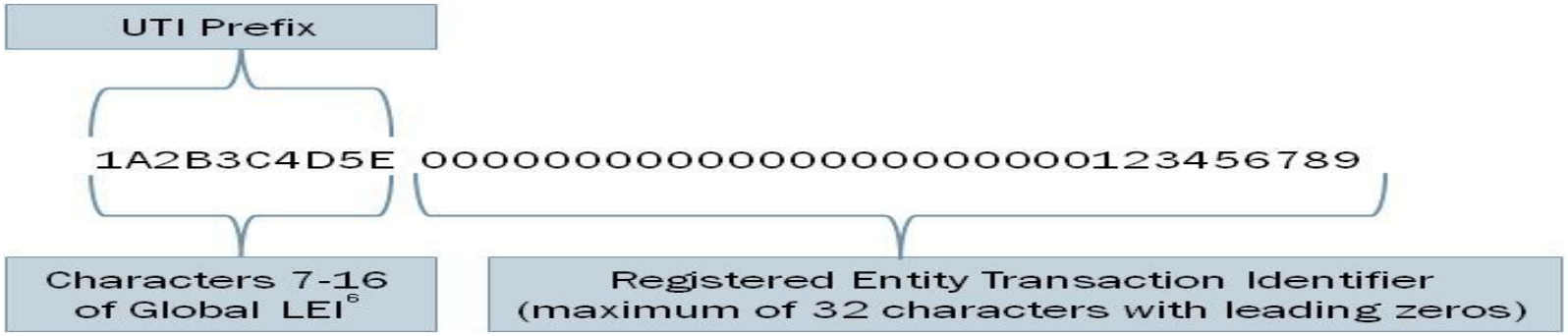
UTI Prefix Construct:



Start with the 20 character Global LEI[6]

Parties self-extract 7-16 to use as UTI prefix

UTI Construct = UTI Prefix + Transaction Identifier:



[5] 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.

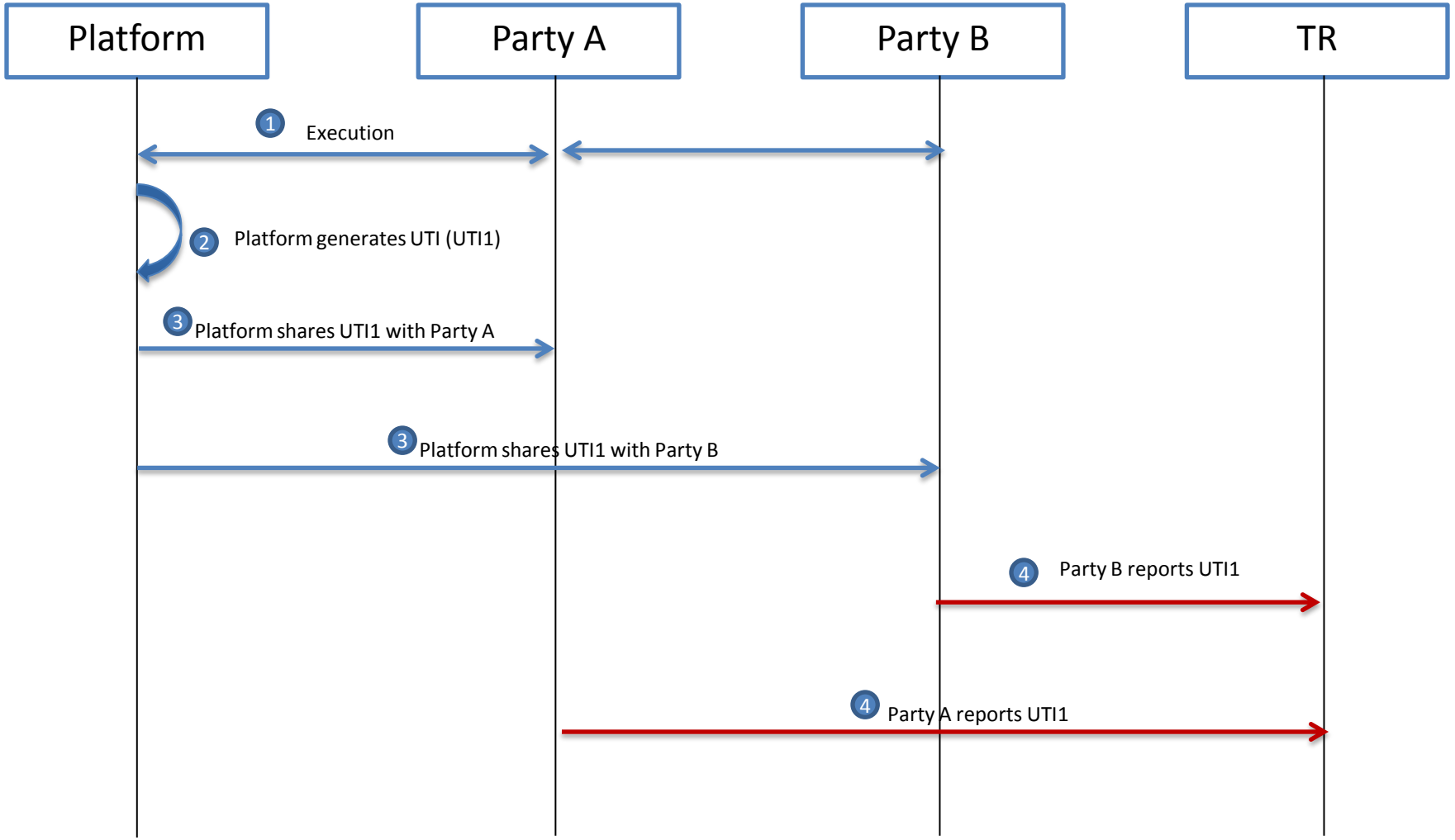
[6] International Organization for Standardization, "ISO 17442:2012 Financial services – Legal Entity Identifier (LEI)" http://www.iso.org/iso/home/search.htm?qt=17442&sort=rel&type=simple&published=on

UTI Communication Flows

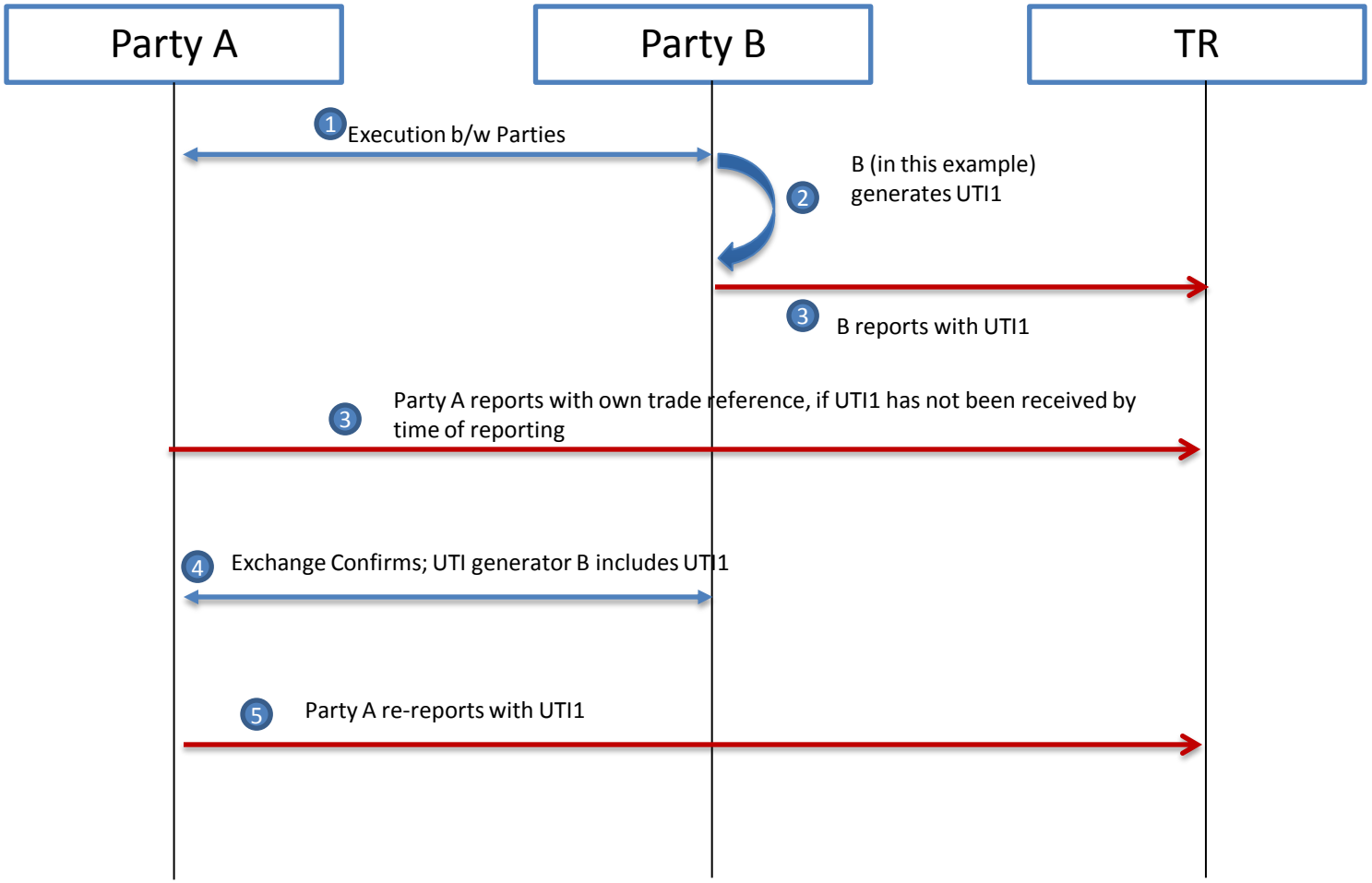
Select Flows from Whitepaper

Electronic Execution

No Allocation

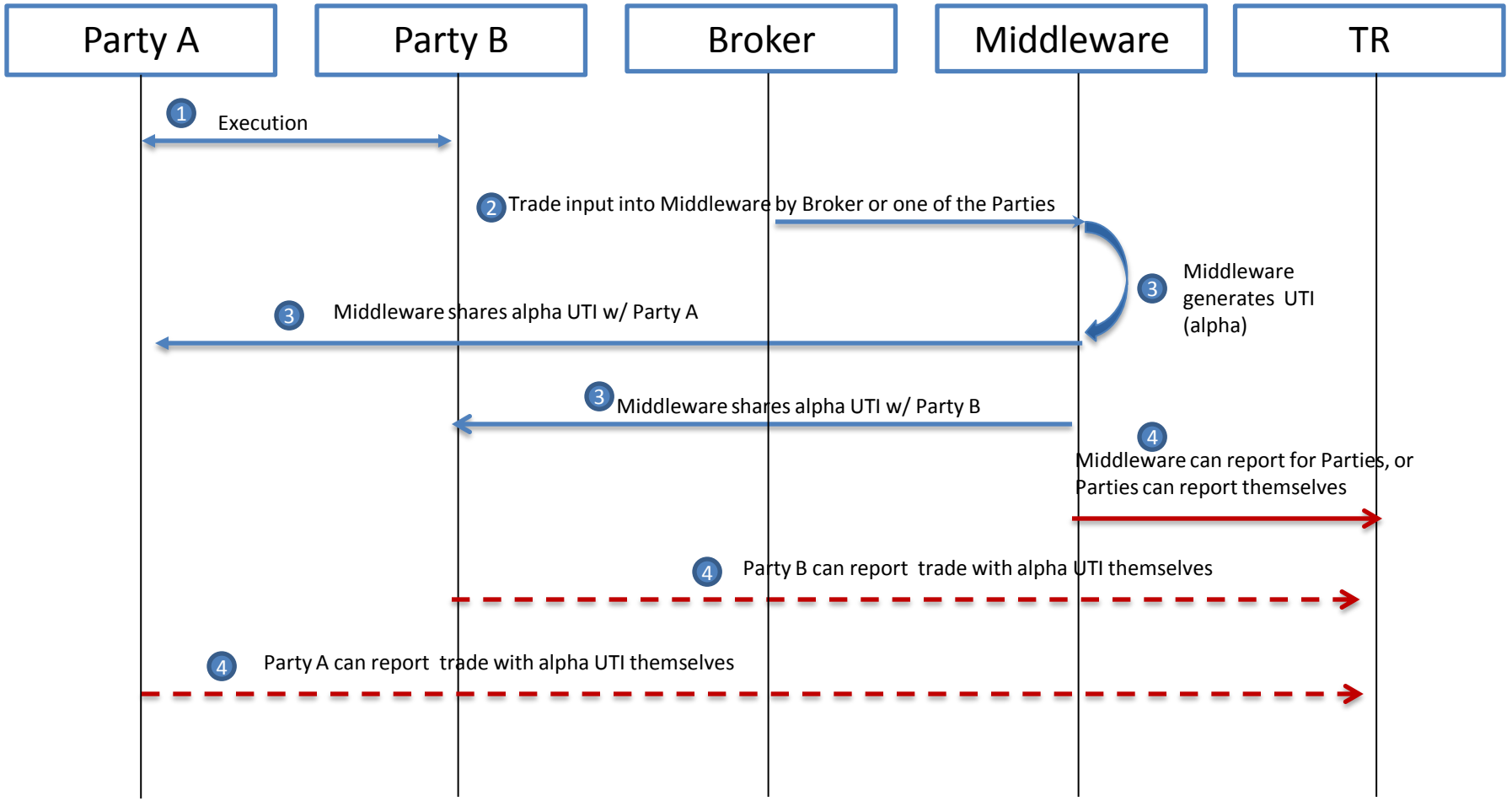


Paper Trades



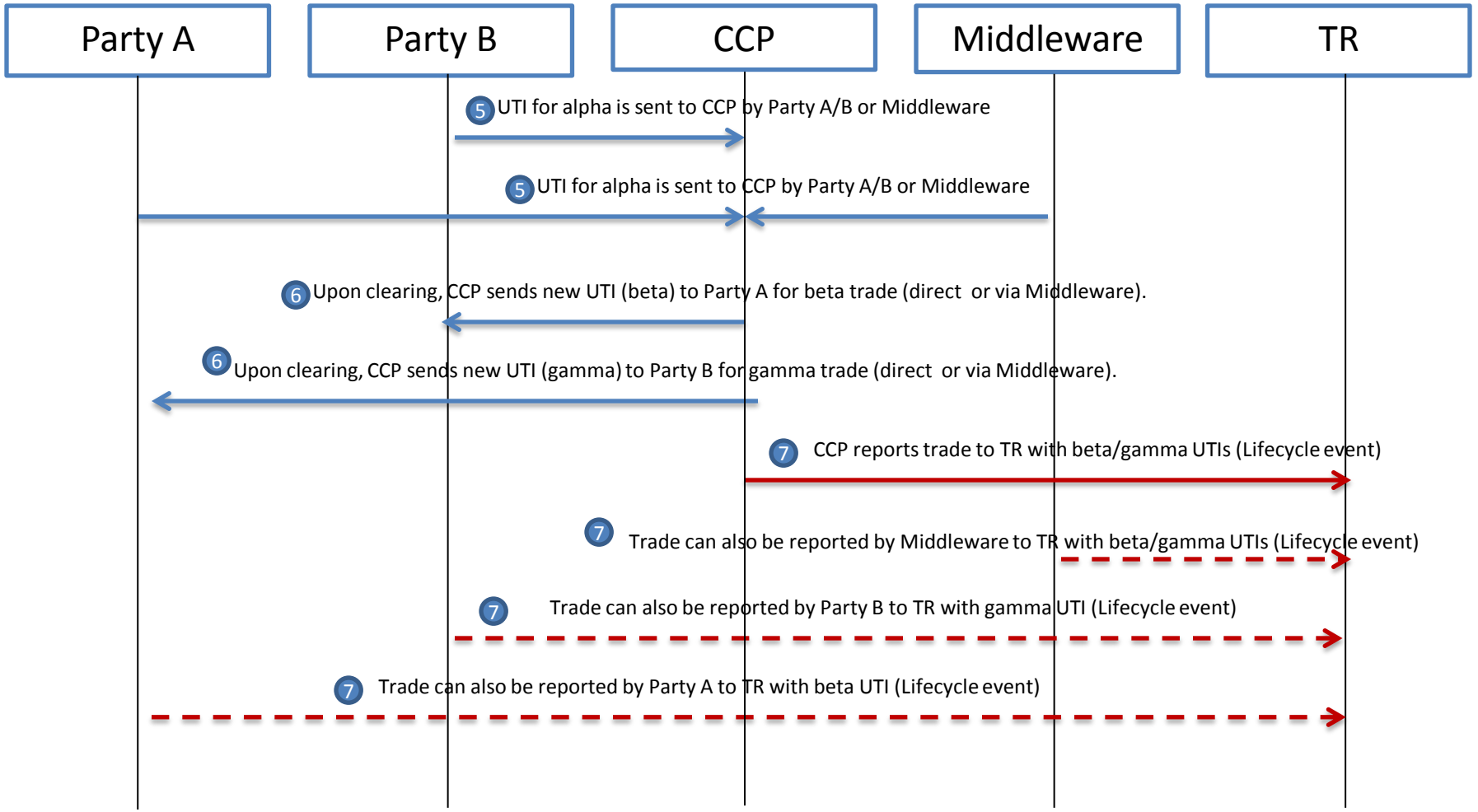
Cleared Flow – Affirm in Middleware

Alpha Trade



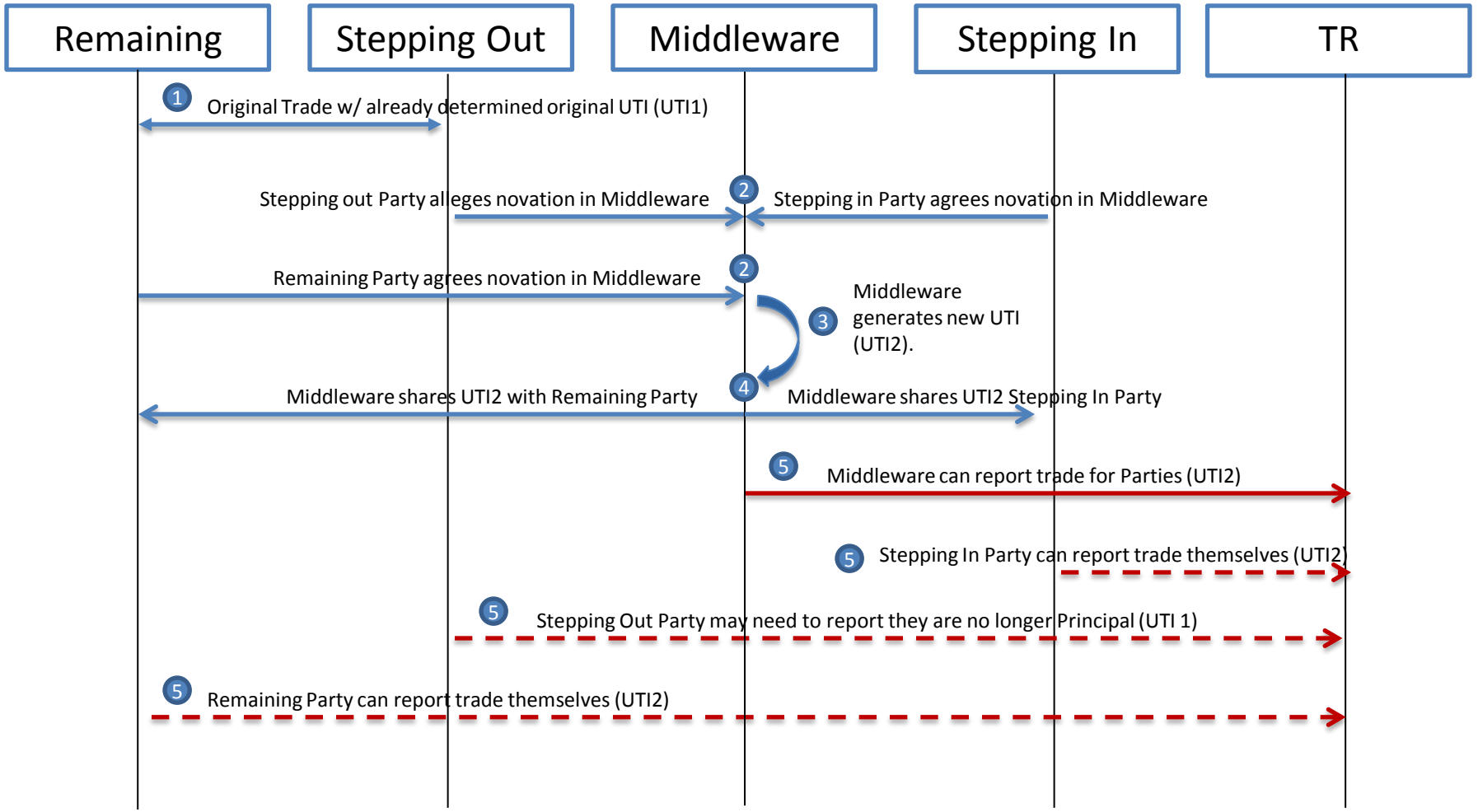
Cleared Flow - Affirm in Middleware

Beta and Gamma legs



Novated over Middleware

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



Conclusion and Next Steps

Conclusion and Next Steps

Global UTI Workflow whitepaper

- Achieve broad industry agreement.
- ISDA Reference Data & 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.
- Further questions or comments? Contact Karel Engelen at KEngelen@isda.org and Tara Kruse at TKruse@isda.org