17 November, 2017

Submitted via email to:
fsb@fsb.org

Re: **Governance Arrangements for the UPI: Key Criteria and Functions – Consultation Document**

The International Swaps and Derivatives Association, Inc. ("**ISDA**")[1] appreciates the opportunity to provide the FSB GUUG with comments in response to the Consultation Document referenced above (the "**Consultation Document**").

ISDA is a strong proponent of global data harmonization, working in tandem with our members and other buy- and sell-side market participants and market infrastructure providers to promote the important role of global standards in improving data quality and increasing the efficiency and value of global regulatory reporting requirements. We support the initiatives undertaken by the Working Group for the harmonization of key OTC derivatives data elements and value the recent publication of the final technical guidance by CPMI and IOSCO regarding the harmonization of the Unique Product Identifier **("UPI")[2]**. We equally support the work of the governance working group formed under the Financial Stability Board ("**FSB**").

1   Preface

The development of product identifiers for derivatives has the promise to improve derivatives processes and workflow management in different ways. To facilitate the development of a consistent framework that considers multiple use cases, the ISDA Symbology Governance Committee was formed, which has as its goal to define a coherent derivatives product identifier framework that can satisfy multiple regulatory and business requirements. Our objectives include:

- Supporting an appropriate governance framework built on public and private collaboration to ensure the development of product identifiers that serve both public and private needs;

---

[1] Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org.

[2] https://www.bis.org/cpmi/publ/d169.pdf

- Defining the required level of granularity for the different products/asset classes, taking into account regulatory and business requirements;

- Evaluating approaches to the format of actual identifiers (i.e. length, intelligence, etc.) and helping to build industry consensus;

- Facilitating infrastructure build-out and driving adoption according to agreed principles;

- Supporting the evolution and ongoing maintenance of such a system.

Through the ISDA Symbology Governance Committee, which has representation from buy side, sell side, vendors and infrastructures, we provide input into and steer primarily regulatory driven initiatives following the four principles[3] we deem essential for a successful product identifier for derivatives:

- Appropriate Granularity

- Open Governance

- Open Source Data and Competitive Market Infrastructure

- Business usage and post trade adaptability

Single product identifier framework

Development and maintenance of multiple product identifiers is cost prohibitive, we therefore advocate for a single framework that supports multiple requirements. In addition we strongly believe that multiple product identifiers that are not built on a common framework will negatively impact data quality as the related data will only be created and used for specific purposes. Product identifiers built on a framework that is used throughout the whole trade lifecycle and in trade processes that are both regulatory and business driven, will lead to better data quality.

While we understand that CPMI-IOSCO's primary goals – global data aggregation and reporting of OTC derivatives to Trade Repositories (TRs) – should not be hindered, we appreciate CPMI-IOSCO's acknowledgement that the UPI System could be leveraged for other product identifier use cases.

We welcome this view. However we believe a further step towards integration of various approaches under the UPI System should be considered and reiterate our belief that to increase data quality, improve consistency and provide the most cost efficient product identifier infrastructure, there should be one common framework for product identifiers that covers the

---

[3] ISDA paper 'Principles on the Development of Derivatives Product Identifiers': http://www2.isda.org/functional-areas/symbology/ (May, 2016)

different use cases, including the specific CPMI-IOSCO reporting and data aggregation requirements.

The core values of this common framework are summarized below:

- The framework should have logical aggregation of data attributes that address specific use cases in increasing order of granularity;

- Subsequent levels in hierarchy should build on data attributes identified in higher levels;

- There should be a balance between data attributes associated with a specific level and the number of unique identifiers which would result;

- Although multiple levels can exist in the hierarchy, careful consideration should be given to the issuance of identifiers at a specific level based on the use cases it addresses, due to the high costs associated with the issuance and maintenance of identifiers. Identifiers issued at each level of granularity would be linked as a parent-child relationship using fields in the metadata.

UPI Reference Data Library as the core of the common framework

We advocate for the UPI System to provide this common framework such that there is one Reference Data Library which allows for multiple levels of granularity for the UPI. The Reference Data Library needs to be administered centrally by one Service Provider, as part of the UPI System, with appropriate independent oversight and engagement from industry experts. The UPI reference Data Library should, as a public good, cover all required levels of granularity, across all products and go beyond the level of granularity required by CPMI-IOSCO, to support a broader set of use cases. This way non-UPI product codes can still fit within the common product definition framework.

Governance

We strongly support the work of the governance working group under the FSB. Open governance is a key aspect of a product identifier infrastructure. The appropriate checks and balances need to be instituted to avoid any anti-competitive behavior and avoid undue burden and cost being put on market participants.

The governance of the UPI System should have public and private components with regulatory oversight and a global independent board representing different industry constituents. Key requirements are:
-   Independent, unpaid board with diverse representation;
-   Open selection process and board criteria;

-   Board oversight on all activity of the UPI Service Providers, including potential additional services that are related to the UPI System;
-   Execution of formal agreements between regulatory oversight function, board and all UPI Service Providers.

We value the governance principles laid out by CPSS and IOSCO as part of the Principles for Financial Market Infrastructures[4] (PFMI). These principles should apply to the UPI System and the UPI Service Providers.

While we understand this consultation is focused on governance, in the annex we detail a number of questions and comments we have in relation to the UPI technical guidance published by CPMI and IOSCO.

2   Questions

Question 1: **Do you consider any further criteria should be included in the above list?**

Governance
The development and ultimately management of the UPI should be based on a public-private partnership. This needs to be reflected in the governance structure that includes both a regulatory oversight component and an independent board.

Challenge process
The UPI system must develop appropriate processes that allow for users of the system to challenge data integrity and identify errors; and for the UPI system to resolve those challenges and correct errors. Part of the governance role should be to adjudicate these issues and have the authority to be the final arbiter, if necessary.

Governance Terms and Conditions review process
Formally documented and publicly available governance terms and conditions should be reviewed at regular intervals so as to ensure the integrity of the decisions taken and to minimize possible perception of the "oversight committee" having no responsibility for their actions/decisions.

Operational viability and continuity of UPI Service Provider operations
PFMI principle 17, operational risk, is applicable to this criterion.

Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

---

[4] https://www.bis.org/cpmi/publ/d101a.pdf

Continuous improvement

The UPI system needs to works towards continuous improvement through industry and regulatory outreach.

Question 2: Are there ways in which any of the key criteria should be modified? If so, which ones and how?

Open Access

The open access principle states that "Authorities should have access to, and use of, the UPI Reference Data Library that is similarly unrestricted. Entities with reporting obligations and TRs should have access to, and use of, the UPI Reference Data Library in a manner that is sufficient to at least allow them to associate a specific OTC derivative product to its UPI Code in a timely manner and facilitate the discharge of reporting obligations for OTC derivatives transactions."

If only used for the CPMI-IOSCO goal of data aggregation across trade repositories by regulators, the open access principle as stated suffices. However, to allow the UPI System to serve the markets more broadly, we are of the view that access to the UPI Reference Data Library should be unrestricted and available to all, including entities without a reporting obligation. Limitations on access could considerably reduce the usefulness of the UPI System outside of the CPMI-IOSCO data aggregation use case. As stated before this has knock on effects on the data quality of the identifier. Limitations can be placed on re-use of the data as further discussed in our response to Q8.

We would like to point out that open access goes beyond IP and licensing considerations and should also take into account technical aspects such as speed, capacity and means of accessing the UPI System.

Intellectual Property

The principle states that "As to the UPI Reference Data Library, intellectual property restrictions should be applied in a manner consistent with the rules applicable in a given jurisdiction."

While we understand that differences exist between jurisdictions regarding IP, we are concerned that a treatment that potentially differs from jurisdiction to jurisdiction will limit the usability of the UPI System and will increase the cost of implementation and maintenance.

Conflicts of interest

The principle states that "Access to the UPI should not be tied or bundled with any other services offered by a UPI Service Provider"

We agree with this principle and would like to clarify that that this relates both to the UPI code and the Reference Data Library.

__Lean criterion__

We would like to add that providing for competition during the selection process of a provider supports the set-up of a lean infrastructure. Having multiple competing providers when the system is up and running, and/or limiting the term of any Service Provider as part of the governance set up can help to guarantee the UPI System stays lean over time.

__Question 3:__ **Should the UPI System operate on a cost recovery model? If not, what is the suggested alternative and how does it fit with other governance criteria?**

Cost recovery is a good model for the operation of a utility infrastructure whose objective is to provide standardized reference data to regulators and market participants. We agree that this would be a model well suited for the operation of the UPI System. While cost recovery implies the UPI System is not operating for profit, cost recovery in itself does not guarantee that the lean criterion is applied to create a low cost, efficient infrastructure. Nor does it guarantee appropriate checks and balances are implemented to ensure true cost recovery. Both are crucial aspects of a strong governance model for the UPI System. The right governance also needs to ensure cost considerations do not negatively impact the data quality in the UPI System.

An efficient infrastructure that optimizes the usage of industry resources is key. Whether the UPI System can be used beyond the CPMI-IOSCO stated regulatory goal of data aggregation by regulators across trade repositories for systemic risk purposes, will be an important factor in determining the level of the acceptable overall cost of the system. Market participants are willing to invest more in and support an infrastructure that has broader usage.

A single identifier framework that covers multiple business and regulatory use cases is crucial from our perspective both because of the costs involved with the adoption of a product identifier into the trade lifecycle infrastructure, a cost that goes much beyond the cost of the system itself; and, because it greatly improves the data quality of the product identifier. For firms to have to implement more than one identifier system would be cost prohibitive and extraordinarily burdensome both initially and continually over time.

__Question 4:__ **How should cost recovery be defined in the context of UPI? How should a UPI Service Provider be permitted to recover its costs? Should start-up, infrastructure, and initial creation of UPI Code costs be treated differently than ongoing maintenance and other continuing costs of operating a UPI Service Provider?**

We encourage the FSB to hold an RFP process to among other things, receive input and intelligence from service providers on how to apply cost recovery to the total cost which is a combination of set up cost, run cost and the incremental cost of adding new instruments. An RFP process can provide further insight in the cost basis of different providers.

The ultimate decision as to how and what costs are recovered should result from an agreement between the Service Providers and the governance body that oversees the UPI System. It is difficult to provide more detail until more specifics about the infrastructure are available. The key to ensuring an appropriate cost recovery framework is put in place is the governance framework we laid out previously.

AS indicated in our response to Q3, a UPI System that satisfy a broader set of use case will be valuable to the industry, increase data quality and reduce overall cost. Cost recovery and set up for a UPI system that only satisfies the CPMI-IOSCO data aggregation requirement for regulators is likely to be different from the set up for a broad UPI system that covers multiple regulatory and business use cases.

__Question 5:__ How should costs be allocated amongst stakeholders?

Cost should be allocated equitably, i.e. fairly, but not necessarily equally, across a relatively broad set of UPI users. The cost recovery principles and fee calculations should be kept simple both for the participants and for the UPI Service Provider. UPI cost and cost attribution should not be a barrier to entrance, usage or further evolution and development of the market.

Further thought is required on the UPI usage of different user categories. There could be a different charge for high volume users who constantly connect to the UPI Service Provider, to compensate for the higher costs and service requirements that would be required to support such a user. This would be different from a user that accesses the UPI System occasionally.

The level of granularity defined by CPMI and IOSCO in the technical guidance points to UPI codes that can largely be pre created, with a limited need for new codes over time except where there are changes in scope. This should be taken into account in the allocation of cost. Of course, the data in the UPI Reference Data Library requires ongoing maintenance. Also, this does not take into account additional levels of granularity for additional use cases that we advocate should be developed and managed through the UPI System.

__Question 6:__ How should a UPI Service Provider provide its rationale for calculating cost recovery? What level of transparency and frequency of disclosure of cost by a UPI Service Provider is required to demonstrate that the UPI System is being administered on a cost-recovery basis? For example, should a UPI Service Provider be required to undertake an audit or other type of review of its costs? To whom should transparency be provided (e.g. to Authorities and/or the public) and under what circumstances?

A balance needs to be found between the transparency provided and the cost of providing such transparency. Notwithstanding, trust needs to be established and maintained in the system for it to continue to be viable. A combination of public transparency and independent audits can

help achieve this. As with the actual cost recovery, it is important that the process of public transparency and audit is kept efficient.

We support the principles and processes followed by the ROC and the GLEIF in terms of transparency, cost disclosure and audit. The principles followed by the LEI ROC and GLEIF form a good starting point for considering what is necessary for a UPI System. Changes are needed to accommodate the actual UPI system set up and the implementation of the UPI governance is likely to be different from the LEI structures. Decisions on the level of transparency and disclosure would be within the mandate of the UPI governance body.

See also our response to questions 12 and 13.

Question 7: Should there be different categories of users to describe entities that interact with the UPI Service Provider(s), utilise the UPI System, or access the UPI Reference Data Library in different ways, such as creation of a UPI Code versus leveraging an existing UPI Code, and at different frequencies? How should those categories be defined and should there be different associated costs based on the type and frequency of use of UPI Codes? How would different cost considerations apply to different aspects of the UPI System?

We propose to consider 2 categories of users at a minimum with further refinements possible, in particular in the second group. These groups are:
- Regulators
- Market participants

Within the group of market participants, further subcategories can be defined based on the usage of the UPI. These subcategories can be used for the fee model and cost recovery calculations.

As indicated in our response to Q4, we encourage the FSB to hold an RFP process to receive further input and intelligence from potential UPI system providers around cost recovery, cost basis and cost allocation.

Question 8: Should access to, and use of, the UPI Reference Data Library (which includes the Data Elements therein) be unrestricted? If not, what types of usage restrictions would be appropriate and to whom should they apply? What would be the consequences, including for harmonisation, of having usage restrictions on the UPI Reference Data Library?

Access to the UPI code and the UPI reference data held in the UPI Reference Data Library should be available to all users without cost. Reasonable technical access modalities need to be provided for free.

The UPI code should be free from any restrictions on re-use in all cases. UPI data elements which are data in the UPI Reference Data Library, can carry IP rights and may be restricted in terms of their usage outside of the UPI context, i.e., OTC derivative product identification purposes. Specifically, as described in the example below, there are certain elements, like an index name, that are critical to the accurate description of a product that may have IP rights associated with them. To ensure that the UPI system is useable for OTC derivative product identification, ISDA believes that such elements must be included in the Reference Library regardless of IP considerations.

Certain UPI data elements may have another layer of data underlying the specific data element itself (for example the constituents of an index that underlie the index name). This next level of underlying data (i.e. the index constituents) does not need to be part of the UPI Reference Data Library and can be subject to additional licensing limitations.

We illustrate the approach outlined above with the example of an index code or name that is used to identify the underlier of a specific OTC derivative product. Such index underliers are necessary to properly define such a product. The UPI code of the product with the particular index as an underlier needs to be available without restrictions. The index name or other label associated with the index needs to be unrestricted and available for free when used for UPI product identification purposes. Use in other cases can be subject to licensing restrictions. For example repackaging and resale or modification of the index name from its original form with an implied endorsement due to the ownership of the underlying IP is not allowed. Finally, information on the index constituents, maintained by the index provider, might require a license from the index provider. This licensing requirement for the "next level underlying data" should not exclude the use of the index name or code to identify an index as an underlier. The information on the index constituents does not need to be present in the Reference Data Library.

Building the Reference Data Library needs to balance requirement for open data with requirements for data quality and take into account existing IP agreements with a goal to build a high quality future data set with limited new IP restrictions.

We do recognize that the approach outlined above might be in conflict with existing regulatory requirements in certain jurisdictions.

Question 9: ***Should the UPI Reference Data Library be subject to any intellectual property restrictions? If so, what types of restrictions would be appropriate? What would be the consequences of having any intellectual property restrictions on the use of, or access to, the UPI Reference Data Library?***

See our response to Question 8.
The approach outlined above recognizes existing licensing agreements for market data, which often times are required to guarantee quality data. While we do not believe implementation of

the UPI and the UPI Reference Data Library should change existing market structure and data ownership, we strongly believe that new reference data created within a UPI system while protected by IP rights, should not be limited by licensing restrictions.

Finally, appropriate measures need to be taken to ensure continuity of access to the original reference data for existing UPIs when conditions for new UPIs change, such as when a new Service Provider goes live.

Question 10: Are there any types of ownership or membership structures of a UPI Service Provider that could create conflicts of interest? If so, please describe.

A lack of an independent governance body on the side of the Service Provider would certainly present a conflict of interest in our opinion. However, we believe that conflicts of interest are a potential concern that can be adequately managed through a UPI System governance that follows the principles we outlined previously.

Question 11: What kinds of business continuity arrangements would it be reasonable to expect from a UPI Service Provider?

Business continuity needs to guarantee access to the UPI consumption and creation at all times so that parties can satisfy their UPI requirements. Where the UPI System is used beyond the CPMI-IOSCO data aggregation use case, the actual use cases will drive business continuity requirements.

Business continuity must be set up in such a way that the issuance of UPI and management of the Reference Data Library can be transferred within reasonable timeframes if the UPI service provider does not meet its functional or governance requirements.

Question 12: What Governance Frameworks for other universal identifiers should or should not be considered in designing the UPI Governance Arrangements and why?

The LEI governance model is an excellent example of a governance framework that has proven successful. Its core elements are simple. A regulatory oversight committee and an independent private sector board that are charged with the responsibility to oversee the key principles set forth by the FSB. The exact configuration can differ, but these elements are essential to the success of the system and would serve the UPI system well.   We elaborate on those elements in question 13. We also recognize, however, that the UPI is an identifier very different from LEI in a number of respects and while the principles underlying the LEI governance are good starting points, the actual governance framework for UPI should be modified as appropriate to allow for differences in the systems.

The ISIN governance framework for OTC derivatives as it currently exists is lacking these key governance requirements and should therefore not be considered unless modifications are made. In particular, changes are needed regarding the oversight which is only through the DSB and ANNA boards. Currently there is no representation on either of these boards of the OTC ISIN users who pay for the service, nor is there any other form of independent representation on the boards. In addition, there is no public transparency on the cost aspects of the issuance of OTC derivative ISINs. Despite industry agreement in ISO Study Group 2 (which developed the use cases for the OTC derivative ISIN) for an open process to select the provider, such a selection process never took place. Instead ANNA retained full control of the DSB development, and there is no mechanism for alternative providers to be appointed.

Question 13: *Which elements of such frameworks would be useful or not useful for the UPI Governance Arrangements and why?*

The below principles applied for the LEI governance should be part of the UPI governance framework where relevant. As stated above, the principles underpinning the LEI governance are sound and applicable to a UPI governance.
- Regulatory involvement and oversight, in the case of LEI through the Regulatory Oversight Committee (ROC). Regulatory involvement and oversight is a key aspect of a sound governance for the UPI.
- Competition at the level of the Local Operating Units (LOUs). Recent reductions in LEI fees because of new entrants show the value of allowing competition, coupled with a body that enforces minimum standards and consistency such as the GLEIF.
- A Global LEI Foundation (GLEIF) which as an independent, globally divers body ensures consistency in the creation of LEIs, operates as a non-for profit and is requested to "operate efficiently and to avoid excessive costs, so that fees to be paid by Legal Entities do not act as a barrier to be issued an LEI".
- An LOU must ensure that its operations regarding LEIs are "sustainably financed in an efficient not-for-profit cost-recovery manner avoiding excessive costs"
- GLEIF has oversight of audit activity at the LOU
- GLEIF may conduct financial, operational and/or information technology audits relating to LEI operations and LOU locations at GLEIF's sole but reasonable discretion.
- The information is publicly available on the GLEIF website.

Competition, regulatory and industry involvement, independent audits and public disclosure are all crucial components of an appropriate governance structure. Governance structures where not all these elements are available should not be considered for the UPI governance.

Question 14: *Do you agree with the articulated areas of governance identified above?*

We agree with the areas of governance identified in the consultation.

_Question 15__: **Can you suggest any refinements or modifications to any of the functions therein?**_

No refinements or modifications.

_Question 16__: **Can you suggest any other functions that should be included in the above list?**_

The list of functions appears to be operational in approach. For the avoidance of doubt we want to clarify that the governance functions should include oversight of the financial aspects, cost recovery and cost optimization with the ability to conduct independent audits.
A process to escalate issues with the UPI Service Provider and resolve challenges needs to be part of the governance functions as well.

Question 17: _**Could a UPI Service Provider also be expected to develop human readable aliases for UPI Codes to satisfy the needs of particular jurisdictions or other stakeholders? Why or why not?**_

We do not see a requirement for the UPI Service Provider that issues a UPI code, to develop human readable aliases by default. If human readable aliases are required, they can be developed by the service provider that issues the UPI code, or by a different Service Provider. It is critical that the aliases link back to the central UPI Reference Data Library.

Question 18: _**Are there functions in the list which are not relevant for the UPI in your view and if so which ones and why?**_

All functions listed are relevant from a UPI governance perspective.

Question 19: _**Which entity or entities (or type of entity) would be best placed to perform each of the above governance functions?**_

As stated before, we believe the UPI System should be developed as a public private partnership and the type of entities to consider for the various governance functions need to allow for this set up.

Question 20: *Do you see a need for the UPI Reference Data Elements to be standardised by an International Standardisation Body and if so why? Are there aspects in which this would be impracticable? If so, please describe those aspects.*

Wherever possible, existing global standards should be leveraged. For UPI, the Reference Data Elements should align with the CPMI-IOSCO Critical Data Elements recommendations. Where additional data elements are necessary, existing open industry standards and best practices should be followed.

Question 21: *What benefits of implementation of the UPI, if any, do you see beyond OTC derivatives reporting? Please justify your answer.*

From a product scope perspective we see benefits in expansion beyond OTC derivatives to have a consistent approach for all derivatives including listed derivatives.

As indicated in the introduction, a UPI System that satisfies use cases beyond the CPMI-IOSCO requirement of data aggregation across trade repositories will increase data quality and lower the overall cost. Such a UPI System can be used throughout the trade lifecycle and trade lifecycle processing, including areas of pre-trade, trade and post trade processing.

Below are examples of use cases beyond data aggregation and how they can benefit from a broad UPI system:

1) Portfolio reconciliation and valuation across market participants

Market participants have recurring needs to share portfolios of positions among each other. The best known and recurring use case is portfolio reconciliation, often in the context of collateral management. Other use cases relate to portfolio acquisitions and valuation services.

The most challenging issue in this context remains how to express the portfolio in a manner that can be computed by the receiving party. In the collateral management space, this issue has been partly tackled through the adoption of shared infrastructure. It however remains largely unsolved for more ad-hoc use cases, such as portfolio acquisitions and valuation services, especially as those can involve less sophisticated counterparties which do not have external interfaces which make use of data standards such as FpML.

The ability to abstract part of the product economics through a UPI would provide very meaningful added value, by removing the need to normalize the underlying products terms.

2) *Communication of request for quotes and orders*

This use case is similar conceptually to the case of valuation among market participants, the key idea being that it is conceptually easier to communicate among counterparties through a UPI rather than by expressing the economics of that product.

In practice, this might be a case where a human readable alias to the UPI is required.

3) *Simplified reporting in multiple jurisdictions*
The use of a UPI for regulatory reporting reduces the number of data fields that needs to be reported and increases the consistency of reporting on a global basis as the UPI links back to a global Reference Data Library.

4) *Meaningful and simplified public reporting using the UPI to identify the product*
The use of a UPI for public price reporting reduces the number of data fields that need to be reported, increases data quality and improves the usefulness of the public reporting. A human readable alias for the UPI might be required in this case.

Other areas include improved post trade processing, pre- trade aggregation of liquidity across multiple platforms based on the UPI and use of UPI for management reporting and risk assessment in terms of concentration risk or exposure.

<u>Question 22:</u> **What would be the respective costs and benefits of the different potential models to administer the UPI System specified above?**

Multiple service providers are expected to increase the cost of the UPI System and create complexity. UPI users will have to connect to multiple Service Providers or a central access point needs to be provided. In addition, the risk of errors and duplication grows, negatively impacting data quality. Instituting and maintaining appropriate governance does become more complex and will require more resources if multiple Service Providers are involved. On the plus side, allowing multiple Service providers can create competition which in turn can lower cost and increase service.

One Service Provider per asset class is likely to increase cost without the benefit of increased competition. An approach of Multiple Service Providers within an asset class does provide the potential for competition but is expected to further increase cost due to the complexity of dealing with numerous Service Providers.

An approach of one Service Provider for all asset classes is the simplest set up. It does not have the benefit of the competition provided by multiple providers but this can be countered with a strong governance framework that could consider such tactics as limiting the term of the Service Provider and a requirement to open the Service up for competitive bidding at each contract renewal.

It is important that the UPI System is kept lean, fit for purpose and that it provides high quality data. Establishing the right governance with the components we laid out in the introduction is crucial to achieving the optimal set up. Such robust governance is essential for any of the potential service delivery models.

Question 23*: **What would be the impact on market participants and other key stakeholders of having multiple UPI Service Providers (whether across asset classes or serving the same asset class) in terms of:***
(a) cost;
(b) ease of use of the UPI System;
(c) their ability to conform to the UPI Technical Guidance; and
(d) their ability to associate UPIs with products in a timely manner at least to facilitate the discharge of reporting obligations for OTC derivative transactions?

a) Cost: As stated above, we expect that cost will rise as the number of UPI Service Providers goes up. The need to synchronize between different providers will likely increase cost, also there will be a need to either create a central access point or, firms will need to connect to multiple service providers. Oversight costs will likely increase as well.

b) Ease of use: to avoid the need to connect to all Service Providers, a central access point must be created.

c) One or multiple service providers should not impact the ability to conform to the UPI Technical Guidance.

d) We do not see a direct impact on timeliness of UPI creation/retrieval from one versus multiple Service Providers.

Question 24:** **Should one or a limited number of UPI Service Providers be selected at the outset? Should the UPI Governance Arrangements allow for additional UPI Service Provider(s) to be incorporated over time?

If the decision is one UPI Service provider, the market will build to interact with one. To change this at a later date to many would require a costly change by the industry. If the decision is multiple UPI Service Providers, from the outset a minimum of two must be selected.

3 Closing

The International Swaps and Derivatives Association, Inc. and its members recognize the importance of the efforts of the FSB GUUG towards a robust governance framework for UPI. We feel strongly that the recommendations issued as a result of this and any associated Consultative Reports on the UPI governance (and as further adopted by global regulators) should support a common product identifier framework for OTC derivatives.

We would like to reiterate our appreciation for the opportunity provided by the FSB to respond to the Consultation Document with our feedback and proposals. We are happy to discuss our responses and to provide any additional information that may assist with your consideration of these important issues to market participants.

Sincerely,

Karel Engelen
Senior Director, co-head Data, Reporting and FpML
International Swaps and Derivatives Association, Inc.

4 Appendix: UPI Technical Guidance Comments

Comments regarding the final technical UPI guidance published by CPMI and IOSCO[5]:

- The UPI code should contain "status" or "version" information and the meta-data should include a date and time stamp.

- An audit trail that provides a record of changes to the UPI and to the meta-data needs to be provided.

- The hours of availability to request and generate the UPI should be minimal 24/6 and preferably 24/7. This should be a part of the requirements for any UPI Service Provider.

- Data quality standards to ensure integrity of the UPI are critical. They should minimize duplication and errors and provide a path to quick resolution of any duplication or erroneous data.

- Cyber security measures are a key selection criteria for any UPI Service Provider.

- Strict boundaries around re-use of any data or information related to the UPI user community, UPI data etc., should be set for any UPI Service Provider.

- The governance committee should provide an enumeration of asset classes available for a UPI and specify whether to allow for "Other" as an asset class.

- Consideration should be given to the creation and existence of multiple product identifiers with a similar format (12 alpha numeric characters) and the impact this has on their interpretation and usage. Should they always be distinguishable? If so, how do we ensure this is the case if these identifiers are developed under different governance models?

---

[5] https://www.bis.org/cpmi/publ/d169.pdf