

## **Governance arrangements for the unique product identifier (UPI)**

### **Second consultation document dated 26 April 2018**

#### **Optional response template**

**Instructions:**

*Submission of consultation responses via this template document is optional.*

*The document has been designed to be completed as a form in Microsoft Word. To assist with automated compilation of answers, users are only able to make changes in the spaces set aside for answers.*

*For the context of any question or for defined terms, please refer to the relevant parts of the consultation document.*

*Please save and submit the completed questionnaire as a Microsoft Word document, rather than converting it to a PDF. A password may be applied; in that case you should communicate the password by separate email or by telephone conversation arranged by email.*

*The FSB invites stakeholders to provide their responses by Monday 28 May 2018 by e-mail to [fsb@fsb.org](mailto:fsb@fsb.org) with “UPI Governance Arrangements” in the e-mail subject line. The feedback received will be taken into account in the FSB’s development of the UPI Governance Arrangements.*

*You may choose to leave answers blank – in that case it is acceptable to leave the answer reading “Click here to answer text”.*

*Should you wish to obtain an unlocked version of this template in order to facilitate sharing of draft answers in your organisation, please contact the FSB Secretariat on the email address above. In that case, you would still be requested to copy your answers to the locked version on the template to ensure accurate processing of the data.*

Questions	Answers
<b>Information about the respondent</b>	
<b>A. Name of respondent institution/firm</b>	FIX Protocol, Ltd.
<b>B. Name of representative individual submitting response</b>	Ms. Courtney McGuinn, Operations Director
<b>C. Email address of representative individual submitting response</b>	Courtney.mcguinn@fixtrading.org
<b>D. Do you request non-publication of any part(s) of this response? If so, which part(s)?</b>  <i>Unless non-publication (in part or whole) is specifically requested, all consultation responses will be published in full on the FSB's website. An automated e-mail confidentiality claim will not suffice for these purposes.</i>	No
<b>E. General information about the respondent institution/firm</b>	<p>FIX Protocol, Ltd., is the non-profit, industry-driven standards body at the heart of global trading. The membership-based organisation is independent and neutral, dedicated to addressing real business and regulatory issues impacting multi-asset trading in global markets through standardisation, delivering operational efficiency, increased transparency, and reduced costs and risks for all market participants. Central to FIX Trading Community's work is the continuous development and promotion of the FIX family of standards, including the core FIX Protocol messaging language, which has revolutionised the trading environment and has successfully become the way the world trades. Visit <a href="http://www.fixtrading.org">www.fixtrading.org</a> for more information.</p>
<b>F. General or introductory remarks</b>	<p>The FIX Trading Community intends to fully support the Unique Product Identifier within the FIX standard. FIX is widely used for the trading life cycle from pre-trade through post-trade pre-settlement for all major asset classes traded globally. The FIX Standard has been</p>

Questions	Answers
	<p>adopted in over 170 countries by every major market venue, investment bank, brokerage, asset managers, and proprietary trading firms. The FIX Trading Community, in addition to our own industry standards, originally established in 1992, is committed to supporting and integrating with standards from ISO TC68 Financial Services. In fact, the Chair elect of ISO TC68 is being supported partially by the FIX Trading Community.</p> <p>FIX highly recommends that the FSB pursue a standards strategy closely aligned with the Legal Entity Identifier in terms of governance and cost recovery based upon ISO standards.</p>
<b>G. Date of response</b>	28.05.2018
<b>Consultation questions</b>	
<b><i>Q1. Do you agree a public-private partnership model such as the one sketched above should be adopted for the UPI Governance Arrangements?</i></b>	Yes. This proposed model seems to be similar to the GLIEF and the model for the LEI.
<b><i>Q2. Do you believe any governance functions in Annex 4 should be performed by a different body? If so, which ones and why?</i></b>	It seems that the UPI Service Provider and the RDL Operator should be the same entity. The separateion of these as two entities seems too granular and would result in inefficiencies in operations and services.
<b><i>Q3. How should any Governance Arrangements for the UPI System be funded?</i></b>	This should be funded in a similar manner as the LEI.
<b><i>Q4. Do you consider the Governance Arrangements described in section 3 above are appropriate and adapted to provide oversight on fees and cost recovery?</i></b>	It is our opinion that an industry shared cost model or an issuance fee drive the funding. The FIX Trading Community has concerns over other cost recovery models.

Questions	Answers
<p><b>Q5.</b> <i>Please provide any specific suggestions to promote adherence to the cost and open access criteria, including suggestions relating to escalation procedures, including complaint handling bodies and processes.</i></p>	<p>Instead of a cost recovery model an approach that uses a distributed computing environment whereby all market participants can connect and generate UPI's as needed according to well defined industry standards. If this is deemed not achievable then creation of a competitive assignment model similar to domain naming is recommended.</p>
<p><b>Q6.</b> <i>If you believe that start-up costs should be fully recovered by a UPI Service Provider, how should they be allocated between earlier- and later-arriving subscribers? For example, over how many years should the start-up costs be amortised?</i></p>	<p>Recommend that the use of existing identifier mechanisms (ISIN, GS1, etc.) be used for establishing amortization. It would seem that looking at past history and technology turn over cycles somewhere between 10 and 20 years would seem appropriate.</p>
<p><b>Q7.</b> <i>If revenues for a year have exceeded or fallen short of anticipated costs for that year, should the UPI Service Provider have a mechanism for rebating or recovering the excess, either during that year or at a later time?</i></p>	<p>This question assumes that the FSB GUUG has opted for a single UPI Service Provider, which would be unfortunate. There needs to be a balance in maintaining some level of cash reserve for maintenance and technical upgrades and rebates back to the user community.</p>
<p><b>Q8.</b> <i>Do you believe that a UPI Service Provider should be allowed to cross-subsidise the provision of UPI Services with revenues from other business lines, either with regard to start-up costs or on an ongoing basis? Why or why not?</i></p>	<p>The cross subsidization creates an inherent conflict of interest. Will the governance bodies be able to properly manage this conflict of interest. Unlikely.</p>
<p><b>Q9.</b> <i>Should a UPI Service Provider be permitted to provide value-added products and services (i.e., products and services that incorporate UPI data but are not required by the UPI Technical Guidance)?</i></p>	<p>Similar to Q9. The ability to create value added products, while on one level would seem to reduce the cost to the users, in reality the ability to provide value added products and services creates a conflict of interest that likely will not be properly managed.</p>
<p><b>Q10.</b> <i>What is your evaluation of the risks of restrictive practices limiting open access, e.g. through the bundling of UPI Services with</i></p>	<p>The FSB only has to look at issues we see with existing standards to see problems and risks.</p>

Questions	Answers
<i>value-added services? How and by whom could such practices be prevented or restricted?</i>	
<b><i>Q11. Should a UPI Service Provider that engages in other business activity be required to “ring fence” its UPI functions? If so, what sort of corporate, legal, and/or accounting mechanisms would be necessary to effect such an arrangement?</i></b>	Yes it should be ring fenced with consideration to run the UPI service as a separate entity (e.g. wholly owned subsidiary) where accounting and operations are separate from the provider's other business activities. A structure like this could still allow the subsidiary to be capitalized and/or subsidized by the parent entity especially during start-up phase.
<b><i>Q12. Should ownership of any intellectual property created by a UPI Service Provider be assigned to a third party in order to maintain and ensure continuation of open access in the event that the provider were to become insolvent or subject to administration or voluntarily withdraw? If so, how should that third party be structured?</i></b>	It should be assigned to the UIROC or a neutral 3rd party that would ensure open access if there is a possibility the UIROC may become insolvent as well.  An additional point to ponder is consideration that the implementation code of the core UPI service (i.e. not the code that supports provider's valud added services) be put into escrow to protect the UIROC in the event the provider become insolvent.
<b><i>Q13. Should access to a vendor-proprietary identifier in the UPI Reference Data Library be limited to only those market participants who have a corresponding license agreement with the respective vendor? If so, how should that underlying asset or index be identified for non-licensees?</i></b>	Would the vendor-proprietary identifier data being stored in the UPI RDL be considered a violation of the vendor's licensing by the UPI Service Provider? Is it possible for the UIROC to reach an agreement with the vendor(s) on a "use" or "view" only agreement of the identifier without the accompanying underlying data artibutes of these identifiers as part of the use of these identifiers by the RDL and the industry?
<b><i>Q14. Do you believe that wherever possible elements within the Reference Data Library should use established International Data Standards?</i></b>	Yes we agree.

Questions	Answers
<b><i>Q15. Do you agree that, for similar reasons as were traversed in the UTI Consultation, the ISO is the most appropriate body to undertake the functions of an International Standardisation Body for the UPI?</i></b>	Yes we agree.
<b><i>Q16. Do you think it desirable that all elements in the UPI Reference Data Library be subject to ISO standards?</i></b>	As much as is reasonably possible to do so.
<b><i>Q17. Do you agree with the FSB's preliminary conclusions about codelists and related topics in section 5.3 above?</i></b>	<p>We agree that as much as possible codelists and code values should be sourced from existing ISO standards. Where there are none available, they should then be sourced from other established standards followed by other industry sources. Sometimes it maybe useful to look at lists established by other standards and industry associations outside of financial services domain, especially in commodities areas.</p> <p>In Section 5.3 of the consultation paper, the last bullet point in the section discussed messaging syntaxes. Our view is that the UPI Service Provider should adopt syntaxes that are already in use by the industry rather than coming up with another alternative syntax if a messaging specification is needed by the Service Provider. Adopting yet another alternative syntax adds implementation costs to the industry.</p>
<b><i>Q18. If you believe that the UPI data can and should be used for purposes other than solely regulatory reporting, describe in detail and provide specific examples of any such additional purposes.</i></b>	It may be useful for internal reporting for risk management purposes including internal reporting on counterparty risk exposure based on product, or market exposure risks based on product.
<b><i>Q19. Considering the pros and cons of each of the above-mentioned models (Single UPI Service Provider model or Competitive model),</i></b>	While we would generally encourage market competition in this case as FIX represents end user community, we feel that a single Service

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<p><i>what would in your view be the most suitable? Please provide detailed reasoning.</i></p>	<p>Provider would be prudent to consider. The complexity and costs of our members having connect to multiple Service Providers would be highly cumbersome. However, with a Single Provider solution the UIROC would have to imposed a high degree of oversight to ensure fair and equal access for all market participants at a reasonable and fair cost. The situation with the UPI is not drastically different than the situation the industry just went through with the ISIN issuance for swaps, where the industry now has the ANNA DSB as the single industry utility to service the ISIN issuance for swaps.</p>
<p><i>Q20. Do you believe that there should be a single UPI Reference Data Library if multiple UPI Service Providers coexist in the UPI System? Why or why not?</i></p>	<p>The core reference data library needs to be immutable and under close governance by the UIROC regardless of the decision to have single or multiple UPI Service Providers.</p>
<p><i>Q21. What would be the value added in having competing UPI Service Providers if there was a single entity centrally managing the UPI Reference Data Library?</i></p>	<p>The proper choice of federated identification standards, such as DOI, Handle system can facilitate participant generation with a small centralized governance and support model or a standard platform upon which competition can be facilitated without creating additional overall costs for the industry.</p>
<p><i>Q22. How could the applicable technical principles and governance criteria mentioned in section 6.1 be followed if there were multiple UPI Service Providers?</i></p>	<p>The challenge with multiple Service Providers would be multi-fold, including governance, oversight, and if Service Providers cover overlapping asset classes how would the uniqueness and federation of information be ensured. The cooperation between Service Providers must be ensured by such an arrangement.</p>