FSB FINANCIAL STABILITY BOARD

26 April 2018

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 refers 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 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
Information about the respondent	
A. Name of respondent institution/firm	The Depository Trust & Clearing Corporation ("DTCC")
B. Name of representative individual submitting response	Christopher Childs, CEO & President, DTCC Deriv/SERV LLC
C. Email address of representative individual submitting response	CChilds@dtcc.com
D. Do you request non-publication of any part(s) of this response? If so, which part(s)? ***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.***	No
E. General information about the respondent institution/firm	DTCC provides services for a significant portion of the global over-the-counter derivatives market and has extensive experience operating repositories to support derivatives trade reporting and enhance market transparency. DTCC's Global Trade Repository service supports reporting across all five major derivatives asset classes and exchange traded derivatives in nine jurisdictions across 33 countries. Further, since 2012, DTCC has overseen a global legal entity identifier ("LEI") data management system as pre-LOU, and since 2017 as a fully Accredited LOU. The Global Markets Entity Identifier ("GMEI") utility creates a single, universal standard identifier for organizations or firms involved in financial transactions internationally. The utility has issued almost 400,000 LEIs to entities from over 200 jurisdictions, representing more than 30% share of the total LEIs issued worldwide.

F. General or introductory remarks	DTCC welcomes the opportunity to respond to the recent consultation document prepared by the Financial Stability Board ("FSB"), Governance arrangements for the unique product identifier ("UPI"): second consultation document (the "Second Consultation"). We appreciate the continued leadership of the FSB, the Working Group on UTI and UPI Governance ("GUUG") and the CPMI-IOSCO Working Group for the Harmonisation of Key OTC Derivatives Data Elements in advancing global data harmonization initiatives. DTCC continues to strongly support efforts to establish a globally standardized reporting solution that assists regulators in obtaining a more comprehensive global view of the OTC derivatives market. Recent activity – including the October 2017 FSB consultative roundtable, CPMI-IOSCO's technical guidance on harmonization of the UPI, and the initial consultation on governance arrangements for UPI ("Initial Consultation") – represents positive developments to advance ongoing global coordination efforts. As we stated in response to the Initial Consultation, effective governance of a UPI System furthers the Pittsburgh Group of 20 ("G20") goals by consistently identifying globally traded OTC derivative products and facilitating the aggregation of data held in trade repositories around the world. The establishment of an appropriate and effective UPI governance arrangement that is globally adopted will therefore be critical for successful implementation and ongoing production of the UPI System. However, care should be taken to ensure that such arrangements are transparent and do not

	introduce unnecessary complexity into an already complex regulatory regime.[1] Accordingly, DTCC provides the following considerations leveraging our experience not only as an operator of trade repositories globally but also as operator of the GMEI utility. In addition to providing responses to the FSB's specific questions contained in the Consultation, which are set forth below, DTCC has identified broad themes that we recommend the FSB take into account as it considers UPI Governance Arrangements. As discussed in our comments to the Initial Consultation, we believe that UPI Governance Arrangements should not be unnecessarily complex or costly and we concur with the industry consensus that the UPI System should operate on a cost recovery or utility model. Additional recommendations for FSB consideration include: 1. Continue to Provide Clear and Consistent Guidance, While Avoiding Added Complexity As discussed in our response to the Initial Consultation, DTCC strongly encourages the FSB to provide clear and consistent guidance regarding UPI Governance Arrangements to minimize potential implementation and adoption challenges. In addition, care should be taken to ensure that such arrangements do not introduce unnecessary regulatory complexity. For example, DTCC strongly encourages consistency in regulatory oversight amongst similar bodies, such the Legal Entity Identifier Regulatory Oversight Committee ("LEI ROC")

[1] We understand that UPI Service Providers are the assumed issuance approach. However, we would like to reiterate our recommendation that the FSB consider issuance through the existing ISDA OTC Derivatives Taxonomy, which is already well established and widely used. Such an alternative would offer a more efficient and less costly approach than an allocation agency, which would be required for UPI Service Provider issuance, and would moot the UPI Service Provider issues discussed herein.

	and Global Legal Entity Identifier Foundation ("GLEIF"). Further, it is unclear how the Unique Identifiers Regulatory Oversight Committee ("UIROC") would fit into and work with the LEI ROC, GLEIF, and the broader FSB body. Accordingly, rather than creating a new governance structure, DTCC recommends leveraging an existing governance body, such as LEI ROC, to facilitate the public-private partnership set forth in the Second Consultation. Using an existing governance body could have the benefit of creating clear and consistent guidance in a cost effective manner. 2. Ensure Ongoing Industry Engagement Using Existing Bodies DTCC continues to believe that industry participation in the governance system is a critical element of successful UPI implementation and adoption. To assist regulators in aggregating data at a meaningful level, DTCC strongly encourages continued coordination with the industry both individually and through existing associations as discussed above. This would help ensure data quality throughout the UPI System as practitioners in the industry are well placed to provide meaningful insight into best practices and potential challenges. DTCC also recommends that selection of UPI Service Providers be conducted in conjunction with industry experts. 3. International Standards Should Be Developed and Universally Used For UPI Governance Arrangements to be successful, international standards for UPI reference data should be developed and universally used. As discussed in our response to the Initial Consultation, without standardization, regional UPIs will be generated which would severely hinder authorities from aggregating global derivatives data. Accordingly, DTCC believes that ISO standards should be used where they are available, and where they are not available, technical formats

	and structure should be specified to safeguard data quality. As such, DTCC agrees that "the ISO name, description and allowable values should be adopted for the corresponding UPI Reference Data Element where an appropriate ISO business data element or codelist exists." DTCC also agrees that "where a UPI Reference Data Element value is a member of a codelist that is external to ISO, or is a proprietary identifier, the exact value as it appears in the codelist, or as published by the issuer of the proprietary identifier, should be used and the source of the value should be provided." However, with respect to reference data that does not have an international standard associated with it, there should be a way to report the item as non-standard. This would allow such data to be reported accurately. 4. Open Source Principles Should Apply to UPI DTCC believes that open source principles should apply to UPI and that IP rights in the UPI data should not prevent users from using the data to support reporting and/or other related functions. DTCC supports building on existing solutions to resolve the problems raised in the Second Consultation related to open source. As discussed above, an existing governance body, such as the framework set forth for LEIs, should be used to develop and manage UPI Governance Arrangements. Likewise, solutions developed by these bodies for the open source problems should be leveraged here as well. DTCC welcomes the opportunity to further discuss these comments and to provide additional recommendations related to governance arrangements for the UPI.
G. Date of response	25.05.2018
Consultation questions	

Q1. Do you agree a public-private partnership model such as the one sketched above should be adopted for the UPI Governance Arrangements?	See introductory remarks above.
Q2. Do you believe any governance functions in Annex 4 should be performed by a different body? If so, which ones and why?	No comment
Q3. How should any Governance Arrangements for the UPI System be funded?	As we stated in the Initial Consultation, DTCC advises that before a cost structure and allocations can be formalized, the user categories and obligations of those who issue and maintain UPIs must first be defined clearly.
Q4. Do you consider the Governance Arrangements described in section 3 above are appropriate and adapted to provide oversight on fees and cost recovery?	To demonstrate that the UPI System will continue to be administered on a cost-recovery basis, DTCC recommends that the appropriate oversight authority require documentation, such as the attestation from an external audit firm, of the UPI Service Provider's cost-recovery model. This requirement should be clearly outlined in governance procedures and documentation should be made accessible to the public.
Q5. 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.	The UIROC should provide escalation procedures for UPI Service providers and industry participants to follow. These should be publically available.
Q6. 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?	No comment
Q7. 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?	As we stated previously, cost-recovery does not mean there should not be any ability to make a profit. Rather, how those funds are used to improve or enhance the service to provide a ROE might be something the UIROC would want to include in their oversight of the

	UPI Service providers. For example, profits and losses could be evaluated on a rolling three-year cycle with the understanding that a UPI Service Provider would be permitted to re-invest profits into the business. With respect to short-falls, the same principal should apply but with the potential to raise fees under the guidance and/or oversight of the UIROC.
Q8. 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?	DTCC believes that that competition should be promoted but on a fair and equitable basis. Accordinlgy, cross-subsidisation should not be allowed as it can act as a discriminatory mechanism and the lack of transparency in a UPI Service Provider's operations makes it difficult, if not impossible, to determine if the provider is operating in a fair and equitable manner.
Q9. 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)?	Yes
Q10. What is your evaluation of the risks of restrictive practices limiting open access, e.g. through the bundling of UPI Services with value-added services? How and by whom could such practices be prevented or restricted?	No comment
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?	No comment
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	No comment

were to become insolvent or subject to administration or voluntarily withdraw? If so, how should that third party be structured?	
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?	No comment
Q14. Do you believe that wherever possible elements within the Reference Data Library should use established International Data Standards?	Yes, international data standards should be used wherever possible, but where such standards are not available, there should be a mechanism for reporting the information as nonstandard.
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?	Yes
Q16. Do you think it desirable that all elements in the UPI Reference Data Library be subject to ISO standards?	International data standards should be used wherever possible, but where such standards are not available, these elements should be clearly identified and there should be a mechanism for reporting the information as nonstandard.
Q17. Do you agree with the FSB's preliminary conclusions about codelists and related topics in section 5.3 above?	Yes , the approach seems pragmatic
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.	DTCC believes that UPI data should be incorporated, where possible, into the industry business processes. For example, UPI data could be used as part of the confirmation process of the transaction to ensure agreement between the parties and to help drive standardisation of related business elements through agreed-upon validations, overrides, and rejections.
Q19. Considering the pros and cons of each of the above-mentioned models (Single UPI Service Provider model or Competitive model),	No comment

what would in your view be the most suitable? Please provide detailed reasoning.	
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?	A single library, with an appropriate funding model such as the cost-recovery model established by GLEIF as consolidator for LEI, would be more beneficial to consumers of UPI's so that a centralized source can be referenced for validations or reconciliations that may need to be facilitated. Providing the single reference library must be considered from a cost /benefit perspective.
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?	Competition could provide better pricing for the industry as a whole and keep fees at a reasonable level for participants.
Q22. How could the applicable technical principles and governance criteria mentioned in section 6.1 be followed if there were multiple UPI Service Providers?	No comment