FSB FINANCIAL STABILITY BOARD

Press release

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FSB publishes consultation on UTI governance

The Financial Stability Board (FSB) today published a consultation document on *Proposed governance arrangements for the unique transaction identifier (UTI)*. The consultation sets out proposals for the governance arrangements for a global UTI, as a key harmonised identifier designed to facilitate effective aggregation of transaction reports about over-the-counter (OTC) derivatives markets.

G20 Leaders agreed at the Pittsburgh Summit in 2009, as part of a package of reforms to the OTC derivatives markets, that all OTC derivatives transactions should be reported to trade repositories (TRs).[1] A lack of transparency in these markets was one of the key problems identified by the financial crisis. Trade reporting, by providing authorities with data on trading activity, is a key part of efforts to identify and address financial stability risks from these markets. To use the data from trade reporting effectively, it is important for authorities not only to be able to consider institution-specific risks but to be able to aggregate reporting to consider system-wide risks.

The primary purpose of the UTI is to uniquely identify individual financial transactions in reports to Trade Repositories (TRs). In particular, a UTI helps to ensure the consistent aggregation of OTC derivatives transactions by minimising the likelihood that the same transaction will be counted more than once (for instance, because it is reported by more than one counterparty to a transaction, or to more than one TR).

The consultation published today complements the work of the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) as they develop global guidance on harmonisation of data elements that are reported to TRs. On 28 February CPMI and IOSCO issued *Technical Guidance: Harmonisation of the Unique Transaction Identifier* (UTI Technical Guidance), setting out the UTI Data Standard, which contains a structural definition and a format specification. The UTI Technical Guidance also addresses associated matters such as the circumstances in which a UTI should be used, who should be responsible for generating a UTI, and the impact of lifecycle events on the UTI.

Today's consultation document identifies key criteria for the UTI governance arrangements and: identifies the rationale for a number of those criteria; identifies UTI governance functions

[1] The five reforms are: trade reporting of OTC derivatives; central clearing of standardised OTC derivatives; exchange or electronic platform trading, where appropriate, of standardised OTC derivatives; higher capital requirements for non-centrally cleared derivatives; and initial and variation margin requirements for non-centrally cleared derivatives.

to be performed, including a mapping of those functions into three broad areas of governance; proposes the allocation of some functions to specific bodies; and identifies options for the allocation of some other functions. As part of the key criteria, the FSB proposes that to maximise the benefits and minimise the costs and burdens associated with the use of the UTI and to help ensure the efficiency and transparency of the UTI Governance Arrangements, the Governance Arrangements should seek to avoid unnecessary complexity and should take due account of existing resources and arrangements where possible.

The FSB welcomes comments and responses to the questions set out in the consultation by Friday 5 May 2017. Responses should be sent to fsb@fsb.org with "UTI governance comment" in the e-mail subject line. Responses will be published on the FSB website unless respondents expressly request otherwise.

The FSB intends to have a stakeholder roundtable on UTI governance on 25 April 2017 in Amsterdam. Inquiries about attending the roundtable can be made to the e-mail address indicated above.

Notes to editors

In September 2014 the FSB published the final report of the *Aggregation Feasibility Study*, which recommended a number of key preparatory steps that should be undertaken to enable effective global aggregation of OTC derivatives trade reporting data. In particular, the report recommended the following steps would be needed irrespective of the particular aggregation model chosen:

- The work to establish uniform global identifiers, i.e. agreement on a UTI and UPI as well as adoption of the Legal Entity Identifier (LEI), should be accelerated to ensure that OTC derivatives data can be adequately aggregated. These steps are important under any option for an aggregation mechanism, and indeed more generally to improve the usability of TR data. The work will probably require official sector impetus and coordination as well as partnership with the industry to achieve global acceptance and serve public interest goals.
- International work should take place, involving a broad range of authorities and TRs, to develop global guidance on harmonisation of data

The FSB asked CPMI and IOSCO to develop global guidance on harmonisation of data elements that are reported to TRs and are important to aggregation by authorities.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.