# Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Financial Stability Board (FSB)-Group on UTI UPI Governance (GUUG) Governance arrangements for the unique product identifier (UPI) Second consultation document

**May 23, 2018**

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Financial Stability Board (FSB)-Group on UTI UPI Governance (GUUG) Governance arrangements for the unique product identifier (UPI) Second consultation document.

GLEIF would like to provide responses to the following questions:

In section 3, ***Q1. Do you agree a public-private partnership model such as the one sketched above should be adopted for the UPI Governance Arrangements?***

and

***Q3. How should any Governance Arrangements for the UPI System be funded?***

In section 6, ***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?***

***Q1. Do you agree a public-private partnership model such as the one sketched above should be adopted for the UPI Governance Arrangements?***

*GLEIF response:* GLEIF agrees that the adoption of a public-private partnership model, as outlined in section 3 of the Second Consultation Document, would be an effective structure for the UPI Governance Arrangements.

A similar structure has been implemented for the Legal Entity Identifier (LEI) in the Global LEI System (GLEIS) in which the value of strong co-operation between private sector stakeholders and the global regulatory community has been widely accepted.

As is the case with the LEI, there are many areas where public and private sector interests for the UPI can be fully aligned, such as unique and consistent identification of OTC derivative products, high quality reference data and integrity of systems, to name a few.

Implementing the governance functions and operations for the UPI will require active support and involvement from both the global regulatory community and from the private sector. Basing the UPI

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Governance Arrangements on this model could provide balanced input and oversight of the overall governance function from both the public and private sectors that the FSB seeks to achieve.

Given the proposed UPI Governance Arrangements, GLEIF is uniquely placed and could operate effectively in the role of UPI Reference Data Library (RDL) Operator.

***Q3. How should any Governance Arrangements for the UPI System be funded?***

*GLEIF response:* GLEIF believes transparency is an important aspect of a public-private system, specifically in cost recovery and oversight of the cost recovery principle. The cost recovery principle aligns well with the governance criteria for the UPI, specifically the criteria of public interest, economic sustainability, cost, and operational viability and continuity of operations.

As in the GLEIS, in which the GLEIF and the LEI issuers are required to ensure that they operate using the cost recovery principle, within the proposed UPI governance functions, both the UPI Reference Data Library Operator (RDL Operator) and the UPI Service Providers should operate according to the cost recovery principle. GLEIF recommends an independent review or third party audit be required to ensure compliance and transparency.

If the fee model would parallel the model currently used for the GLEIS, fees to issue UPIs could be paid to the UPI Service Provider by the entity requesting the UPI. The UPI RDL Operator then would receive its funding from fees paid by the UPI Service Providers. Other fee models also could be considered such as a "zero fee for the legal entity" model. Firms or regulatory bodies that largely would benefit from the operational improvements of having a standardized UPI could fund UPI issuance.

GLEIF suggests the UPI system could use either model, one based on payment by the entity requesting the UPI code or one based on the entity(ies) primarily benefiting from the standardization. Flexibility is an important factor to allow the UPI system to evolve over time.

The costs of the Unique Identifiers Regulatory Oversight Committee (UIROC) should be covered by the individual regulators participating UPI governance structure. Similarly, the costs of participants to the Industry Representation Group (IRG) should be covered by the industry or stakeholder groups which the participants represent.

Finally, GLEIF proposes that that access to, and use of, the UPI Reference Data Library should be unrestricted at no cost to the users of the Library.

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***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?***

*GLEIF response:* GLEIF supports a single UPI Reference Data Library if multiple UPI Service Providers coexist in the UPI System.

As stated in GLEIF's response to the First Consultation Document, GLEIF sees the opportunity for the UPI system to consider centralizing more of the operational protocol than has been centralized in the GLEIF for the GLEIS.

The UPI system would differ from the LEI system, which is heavily dependent on local law that defines a legal entity and the ability to reach and communicate locally to legal entities in the local language, and consequently, requires a strong partnership between a central operating body and local organizations with local expertise. The UPI Governance Arrangement could be more simplified by having fewer UPI Service Providers, particularly given the products themselves may be harmonized based on asset type rather than local law standards. One area of central utility that could be considered is a code generation facility so that each UPI Service Provider would not have to build UPI code generation capabilities in accordance with the UPI Technical Guidance. Centralizing this function also would address the requirements of uniqueness thus preventing duplicate issuance and reuse of UPI codes. The UPI RDL Operator also may consider emerging technologies that favor federated networks, such as distributed ledger technologies.

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