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 Japan Securities Dealers Association (JSDA)
B. Name of representative individual submitting response	Koichi Ishikura Director & Chief Officer for International Affairs and Research Japan Securities Dealers Association 1-5-8 Kayabacho Nihombashi, Chuo-ku, Tokyo, 103-0025 Japan
C. Email address of representative individual submitting response	jisyukisei_kinyu@wan.jsda.or.jp
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	The JSDA is an association that functions as both a self-regulatory organization and as an interlocutor between market participants and various stakeholders, including government authorities. Its legal status is a Financial Instruments Firms Association authorized by the Prime Minister. JSDA is made up of approximately 480 members that include securities firms and other financial institutions running securities businesses in Japan.
F. General or introductory remarks	The JSDA appreciates the opportunity to provide the following comments regarding the second public consultation on UPI governance announced on April 26, 2018 by the Financial Stability Board.

Questions	Answers
	The JSDA understands that OTC transaction data reporting via swap data repositories, one of the key regulatory reform initiatives implemented in various jurisdictions following the global financial crisis, provides important risk information to international and domestic regulatory authorities. For the industry to further contribute to achieving the regulatory purpose of the initiative, the JSDA is, in principle, supportive of the idea of identifier harmonization to assist global data aggregation, as long as user benefits are anticipated. As commented in the first consultation by the Financial Stability Board, the JSDA believes that no excessive burdens should be placed on market participants. The UPI governance framework needs to be less complex for users in all jurisdictions. Implementation efforts on new practicalities should not be underestimated, as data collection, including product identification, has already been efficiently conducted via the existing platform.
G. Date of response	28. 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?	Yes.
Q2. Do you believe any governance functions in Annex 4 should be performed by a different body? If so, which ones and why?	As for F5.1.3(a), we believe “RDL Operator” should be added as part of “Operational functions” because UPI Reference Data Library must be changed in the case of an addition of or change in product type.

Questions	Answers
Q3. How should any Governance Arrangements for the UPI System be funded?	Governance costs should be kept low. The UPI concept comes from the global harmonization of the identifier. The regulators will be able to benefit from obtaining transaction volumes by product type globally, while the users who report their positions to multiple authorities can also benefit. We believe the costs should be covered by the aforementioned beneficiaries.
Q4. Do you consider the Governance Arrangements described in section 3 above are appropriate and adapted to provide oversight on fees and cost recovery?	Yes.
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 UPI Service Provider(s)/RDL operator(s) should publish regular reports on adhering to cost recovery and open access criteria, as well as actual accuracy confirmation and complaint handling procedures. The international standard setting bodies and/or regulators of the provider(s) and operator(s) may review these regular reports and exchange views with each other.
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?	The UPI Service Providers should design their cost frameworks so that the earlier arriving subscribers are charged less and the later-arriving subscribers are charged more in order to encourage more firms to get onboard at an early stage.
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?	Yes, on the condition that a large increase does not occur in the fee determination mechanism.
Q8. Do you believe that a UPI Service Provider should be allowed to cross-subsidise the provision of UPI Services with revenues from	Ideally, no. The UPI service should be an independent profit system. However, some JSDA members view cross-subsidisation as only

Questions	Answers
other business lines, either with regard to start-up costs or on an ongoing basis? Why or why not?	acceptable in order to ensure the stable provision of services, considering the UPI Service Provider(s) might not be successful in balancing the cost and funding especially in the early stages. In that case, appropriate governance structures and management criteria are required.
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)?	Ideally, no. The UPI service should be a simple service. However, some JSDA members view the provision of value-added products and services as only acceptable if the value-added new products or services subsidize a part of the cost, thereby lowering user charges. In that case, appropriate governance structures and management criteria are required.
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?	UPI Service Providers could generate revenue from their value-added services but we believe they should be provided separately from the normal UPI service. We expect risk prevention/restriction tasks to be borne by the persons receiving benefits, such as the regulators and the users who report to multiple authorities.
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?	Ideally, yes. Any public service should be ring-fenced from other activities. However, some JSDA members hold the view that it is acceptable for a UPI Service Provider to offer UPI services together with other services to ensure the stable provision of UPI services.
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?	Any public service provider should use a corporate and business scheme that has a low probability of bankruptcy. In case of bankruptcy, intellectual property should be inherited by successive service providers free of charge.

Questions	Answers
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?	The UPI data element can come with intellectual property rights that limit usage to those market participants with a corresponding license. However, the UPI code, for product identification/reporting, should be available for free to anyone, although some cases might require usage permission from respective vendors agreed upon between UPI SPs and/or UPI service users.
Q14. Do you believe that wherever possible elements within the Reference Data Library should use established International Data Standards?	Yes. The identifiers and referred/affiliate data in the Reference Data Library should be easily understood by all users.
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?	Click here to enter text.
Q16. Do you think it desirable that all elements in the UPI Reference Data Library be subject to ISO standards?	Click here to enter text.
Q17. Do you agree with the FSB's preliminary conclusions about codelists and related topics in section 5.3 above?	Click here to enter text.
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.	We have no ideas about the use of UPI for purposes other than regulatory reporting (including reported data aggregation and analysis of the aggregated data). Practically, the UPI could be used for regulatory reporting. The UPI structure must be designed in line with the intended use of regulators.
Q19. Considering the pros and cons of each of the above-mentioned models (Single UPI Service Provider model or Competitive model),	We prefer the competitive model, as long as UPI Service Providers are well-coordinated, which assures consistent UPI issuance even when two trading parties place a request for a UPI with two different service providers. This model would theoretically benefit users via

Questions	Answers
what would in your view be the most suitable? Please provide detailed reasoning.	lower user fees, generous customer support services, and fast innovation. However, if consistent UPI issuance mentioned above is difficult, we understand that narrowing down the UPI Service Providers to one entity may be inevitable. In that case, there is the fear of uncompetitive (higher) fees.
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?	Yes. We believe UPIs must always be unique even under real-time reporting. To meet this principle, a single UPI Reference Data Library should be shared between all UPI Service Providers and be always kept up to date.
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?	24/7 operation, support in all major languages (including Japanese), and fast innovation.
Q22. How could the applicable technical principles and governance criteria mentioned in section 6.1 be followed if there were multiple UPI Service Providers?	Click here to enter text.