

November 17, 2017

Financial Stability Board  
[fsb@fsb.org](mailto:fsb@fsb.org)

Re: Consultation on UPI Governance

The Asset Management Group of the Securities Industry and Financial Markets Association (“SIFMA AMG” or “AMG”)<sup>1</sup> appreciates the opportunity to provide the Financial Stability Board (“FSB”) comments on the consultative report regarding Unique Product Identifier (“UPI”) governance.

SIFMA AMG appreciates the FSB’s coordination on international level to develop guidance for trade reporting, and strongly supports the establishment of global standards for data, and the regulatory goal of utilizing a globally-harmonised product identifier for derivatives. SIFMA AMG particularly appreciates the efforts to work across jurisdictions to ensure a consistent approach resulting in one solution to address regulators’ need to have certain data aggregated into a single field.

As we mentioned in our comment letter to the CPMI-IOSCO on the second consultative report on UPI, we urge regulators as they move forward with developing the UPI to “take into consideration the product identification work that has been undertaken by other industry parties, and to consider a single framework to cover multiple product identifiers and usages in all jurisdictions.” A framework of a single identifier would be most beneficial for both the industry and regulatory oversight, as it would improve consistency and data quality, reduce the potential for errors and unnecessary cost and complexity in reporting technology, systems, and communication flow.

We have provided below our specific responses to the questions asked in the UPI Governance Consultation.

**Q1: Do you consider any further criteria should be included in the above list?**

**Q2: Are there ways in which any of the key criteria should be modified? If so, which ones and how?**

SIFMA AMG generally agrees on the criteria for UPI governance arrangement as laid out in the consultation.

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<sup>1</sup> SIFMA AMG’s members represent U.S. asset management firms whose combined global assets under management exceed \$34 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds.

**Q3: Should the UPI system operate on a cost recovery model? If not, what is the suggested alternative and how does it fit with other governance criteria?**

As noted in the consultation, “fees charged by the UPI Service Provider(s) should be based on cost recovery and should be allocated among stakeholders fairly.” SIFMA AMG agrees that a cost recovery model is right.

**Q4: How should cost recovery be defined in the context of UPI? How should a UPI Service Provider be permitted to recover its costs? Should a start-up, infrastructure, and initial creation of UPI Code costs be treated differently than ongoing maintenance and other continuing costs of operating a UPI Service Provider?**

Ideally the chosen UPI Service Providers would already have suitable technology, infrastructure and connectivity in place to create UPI Codes to minimize start-up costs. We recognize that there will, however, be costs in setting up the service. The governance arrangements should minimize the opportunity for commercialization of the UPI and maximize efficient use of resources to obtain good quality of data for least cost to the industry.

**Q5: How should costs be allocated amongst shareholders.**

Cost should be allocated equitably amongst shareholders.

In addition to the cost of setting up the system and infrastructure of the UPI Service Provider(s), there are costs for industry participants to bear for implementation of the UPI code. Integrating the code into existing trade processing, reporting and communications systems and technologies will introduce an initial cost for market participants. There is an on-going operational cost supporting the level of connectivity required for the UPI process, and additional cost for each upgrade or change to the UPI protocol or technical standard. These costs should also be considered when making decisions about UPI governance arrangements.

An additional consideration for encouraging regulators to optimize the identifier framework to a single identifier, UPI, would be to enable the industry to build other use cases for utilizing UPI along the trade lifecycle infrastructure. If there is no need for mapping competing identifiers which is error prone and costly, there is then a better justification for the cost of integrating the UPI deep into the trade processing lifecycle beyond regulatory reporting purposes.

**Q6: How should a UPI Service Provider provide its rationale for calculating cost recovery? What level of transparency and frequency of disclosure of cost by a UPI Service Provider is required to demonstrate that the UPI System is being administered on a cost-recover basis? For example, should a UPI Service Provider be required to undertake an audit or other type of review of its costs? To whom should transparency be provided (e.g., to Authorities and/or the public) and under**

**what circumstances?**

The governance arrangements should spell out not only minimum suitability requirements, capital standards and financial thresholds for UPI Service Provider candidates, but also require UPI Service Providers to provide information and rationale for calculating cost recovery. An occasional audit by the governing body to review UPI Service Provider costs would be useful to ensure that UPI Service Providers do not commercialize the service of providing UPI Codes.

**Q7: Should there be different categories of users to describe entities that interact with the UPI Service Provider(s), utilise the UPI System, or access the UPI Reference Data Library in different ways, such as creation of a UPI Code versus leveraging an existing UPI Code, and at different frequencies? How should those categories be defined and should there be different associated costs based on the type and frequency of use of UPI Codes? How would different cost considerations apply to different aspects of the UPI System?**

There should be different categories of users based on level of connectivity and volume of data.

**Q8: Should access to, and use of, the UPI Reference Data Library (which includes the Data Elements therein) be unrestricted? If not, what types of usage restrictions would be appropriate and to whom should they apply? What would be the consequences, including for harmonisation, of having usage restrictions on the UPI Reference Data Library?**

In order to support widespread use and implementation of the UPI Code, access to the UPI Reference Data Library should be unrestricted.

**Q9: Should the UPI Reference Data Library be subject to any intellectual property restrictions? If so, what types of restrictions would be appropriate? What would be the consequences of having any intellectual property restrictions on the use of, or access to, the UPI Reference Data Library?**

SIFMA AMG agrees that the “UPI Data Standard should not be subject to any intellectual property restriction”. Although the metadata associated with the UPI, or the underlier of the UPI, may carry intellectual property rights, the UPI should be deployed in a way that the reference data library is open for market participants to use freely.

**Q10: Are there any types of ownership or membership structures of a UPI Service Provider that could create conflicts of interest? If so, please describe.**

**Q11. What kinds of business continuity arrangements would it be reasonable to expect from a UPI Service Provider?**

**Q12. What Governance Frameworks for other universal identifiers should or should not be considered in designing the UPI Governance Arrangements and why?**

The governance framework for the LEI provides good comparison point.

**Q13. Which elements of such frameworks would be useful or not useful for the UPI Governance Arrangements and why?**

The LEI governance has succeeded in a global governance structure with a public-private collaboration.

**Q14. Do you agree with the articulated areas of governance identified above?**

In addition to the governance functions related to ongoing generation of UPIs and the oversight of the UPI system, there should be governance for the general ground rules of how the UPI process works, defining questions such as when the UPI needs to be available, who is required to apply for UPI for a new product (with potentially of a decision tree of various scenarios outlining the responsibilities), how products are determined, and appropriate protocols for challenging UPI information and/or error corrections.

**Q15. Can you suggest any refinements or modifications to any of the functions therein?**

**Q16. Can you suggest any other functions that should be included in the above list?**

**Q17. Could a UPI Service Provider also be expected to develop human readable aliases for UPI Codes to satisfy the needs of particular jurisdictions or other stakeholders? Why or why not?**

**Q18. Are there functions in the list which are not relevant for the UPI in your view and if so which ones and why?**

**Q19. Which entity or entities (or type of entity) would be best placed to perform each of the above governance functions?**

**Q20. Do you see a need for the UPI Reference Data Elements to be standardised by an International Standardisation Body and if so why? Are there aspects in which this would be impracticable? If so, please describe those aspects.**

**Q21. What benefits of implementation of the UPI, if any, do you see beyond OTC derivatives reporting? Please justify your answer.**

Successful implementation of the UPI Code could help firms with data quality. The UPI Code could be used within the trade lifecycle to improve communications with trade counterparties, custodians and service providers for post trade processing.

**Q22. What would be the respective costs and benefits of the different potential**

**models to administer the UPI System specified above?**

**Q23. What would be the impact on market participants and other key stakeholders of having multiple UPI Service Providers (whether across asset classes or serving the same asset class) in terms of:**

- (a) cost;**
- (b) ease of use of the UPI System;**
- (c) their ability to conform to the UPI Technical Guidance; and**
- (d) their ability to associate UPIs with products in a timely manner at least to facilitate the discharge of reporting obligations for OTC derivative transactions?**

**Q24. Should one or a limited number of UPI Service Providers be selected at the outset?**

**Should the UPI Governance Arrangements allow for additional UPI Service Provider(s) to be incorporated over time?**

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Should you have any questions or wish to discuss these matters further, please do not hesitate to contact Laura Martin at 212-313-1176 or [lmartin@sifma.org](mailto:lmartin@sifma.org) or Elisa Nuottajarvi at 212-313-1166 or [enuottajarvi@sifma.org](mailto:enuottajarvi@sifma.org).

Respectfully submitted,

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