



State Street Corporation

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Secretariat to the Financial Stability Board  
c/o Bank for International Settlements  
CH-4002  
Basel, Switzerland

Via email: [fsb@fsb.org](mailto:fsb@fsb.org)

**Re: Proposed Governance Arrangements for the Unique Transaction Identifier**

State Street Corporation (“State Street”) appreciates the opportunity to comment on the Financial Stability Board’s (“FSB’s”) consultation document (“consultation document”) on the proposed governance arrangements for the unique transaction identifier (“UTI”).<sup>1</sup> Specifically, the consultation document describes characteristics of the UTI and contents of the UTI Technical Guidance that are relevant to governance considerations; details key criteria for the UTI governance arrangements; identifies three general areas of governance; and proposes UTI governance functions within the three areas of governance.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management, data and analytics, and investment research and trading. With \$29.833 trillion in assets under custody and administration and \$2.561 trillion in assets under management as of March 31, 2017, State Street operates in more than 100 geographic markets worldwide. State Street is organized as a United States bank holding company, with operations conducted through several entities primarily its wholly insured depository institution subsidiary, State Street Bank and Trust Company.

First, State Street is supportive of the establishment of a governance structure for identifiers, such as the UTI and the unique product identifier (“UPI”). As noted in State Street’s response to the Basel Committee on Payments and Market Infrastructures (“CPMI”) and Board of International Organization of Securities Commission (“IOSCO”) on the harmonization of the UTI,<sup>2</sup> we believe that the development of such a governance structure is urgent as global standards for reference data are becoming increasingly critical to the safety, soundness and efficiency of the global financial markets. We appreciate the FSB’s attention to this critical matter and further believe that the governance structure established for the UTI should also be used for the UPI as both identifiers have very similar governance

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<sup>1</sup> Financial Stability Board- “Proposed governance arrangements for the unique transaction identifier (UTI)- Consultation document” available at <http://www.fsb.org/wp-content/uploads/Proposed-governance-arrangements-for-the-unique-transaction-identifier-UTI.pdf>.

<sup>2</sup> CPMI and IOSCO- “Harmonization of the Unique Transaction Identifier - consultative report” available at <http://www.bis.org/cpmi/publ/comments/d131/ssbatc.pdf>.

needs. Specifically, the regulatory method of identifying a transaction and a product have similar principles and require the same core set of expertise. Creating separate governing bodies risks a lack of consistency and therefore, we believe separate governing bodies for the UTI and UPI are unnecessary.

Second, State Street believes that all aspects of the financial services industry and lifecycle of an over-the-counter (“OTC”) derivative should be represented in the governance structure. Specifically, custody banks, such as State Street, must be involved in these reference data discussions as we play a critical role in the post-execution lifecycle of OTC derivatives. Beyond just the custody of physical assets and cash, State Street provides services such as middle office outsourcing, fund accounting, and regulatory reporting on behalf of clients. Moreover, custody banks are focused on the overall infrastructure of reference data. They provide a unique perspective as we have the ability to aggregate information from thousands of clients and therefore, can advocate on behalf of our clients as a whole. Through our servicing of thousands of clients, we have the ability to look across our client base and provide insight whereas a singular firm has a more limited perspective. Additionally, we have significant experience in reference data and commit substantial resources to such important efforts.

Moreover, as discussed in more detail below, State Street recommends an International Standardization Body (i.e. Option D) with certain considerations for Area 1; certain key principles for the governance structure established for Areas 2 and 3; and a clarification to the description of the key criteria- open access.

## **UTI Governance Functions within the Three Areas of Governance**

The consultation document outlines three general areas for governance including: overseeing the UTI data standard (Area 1); implementing the UTI Technical Guidance and dealing with operational and implementation issues (Area 2); and coordinating among authorities to help ensure consistent application of technical guidance across jurisdictions (Area 3). It then proposes four governance function options for the three areas of governance including: authorities exercising various governance functions within their existing mandates (Option A); CPMI and IOSCO taking on the task directly or a body set up by them (Option B); a technical committee or similar under the FSB (Option C); or an International Standardization Body (Option D).

As described in more detail below, State Street recommends an International Standardization Body (i.e. Option D) for overseeing the data standard (Area 1) with certain considerations and although we do not opine on which specific option is best suited for Areas 2 and 3, we provide a set of principles for the governance functions within these two areas.

### **I. *Recommend an International Standardization Body for Overseeing the Data Standard (Area 1)***

State Street recommends that the FSB adopt an International Standardization Body (i.e. Option D) for the governance structure for Area 1<sup>3</sup>, overseeing the UTI data standard, with the caveat that the International Standardization Body follows certain expectations. As articulated in the consultation

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<sup>3</sup> Area 1 is described as “Overseeing the UTI Data Standard, including the operation of the UTI Data Standard and its structure and format, i.e., how a UTI should be constructed, its length, and which characters should be used in its construction.”

document, an International Standardization Body is able to draft the underlying technical specifications for the UTI data standard, similar to the Legal Entity Identifier's ("LEI") governance structure, which potentially helps facilitate standardized messaging for the UTI data standard, thus encouraging broad adoption and the enhancement of data quality.

State Street agrees with the FSB's assessment that an International Standardization Body is appropriate but does not opine on whether the International Standardization Organization ("ISO") is the best option. In our opinion, the chosen International Standardization Body must exemplify certain key characteristics including: (1) resiliency and agility; (2) efficiency; (3) transparency; (4) regulatory veto power; (5) implementation ability; (6) permit broad industry involvement in data standards work and maintenance; and (7) facilitate public input through a public consultation period. The International Standardization Body must be sufficiently resilient, agile, and efficient to evaluate potential changes to UTI and UPI data standards and not impede upon the speed of innovation. Similar to the LEI structure, there must be complete transparency in the governance process which is accomplished by publishing the governance criteria and providing certainty to market participants. Additionally, we firmly believe that the International Standardization Body's mission statement include an implementation provision so standards are not only issued and evaluated, but the implementation of such standards is followed through by the same International Standardization Body. The governance body must also permit broad industry involvement in data standards work including through the facilitation of public input through the public consultation process and the ability for regulators, who enforce the standards, to veto decisions made by the International Standardization Body.

## **II. Recommend a Governance Structure with Certain Key Principles (Areas 2 and 3)**

State Street does not opine on which UTI governance functions would be best for Area 2<sup>4</sup>, implementing the UTI Technical Guidance, and Area 3<sup>5</sup>, coordinating among authorities, but instead recommends that the final governance structure incorporate the following principles:

- (1) Simplicity;
- (2) Consistency;
- (3) Hierarchy structure with a global parent level in which local jurisdictional authorities report into;
- (4) Cross-section of regulators and stakeholders;
- (5) Diverse set of industry stakeholders; and
- (6) Ability to challenge.

A simple governance structure which oversees both Areas 2 and 3 for the UTI and the UPI ensures a high level of consistency. It should be structured as a hierarchy with a global top-level body which encourages and facilitates coordinated adoption of the UTI and UPI by local jurisdictions. The local jurisdictions, however, will maintain control and have enforcement powers. The governance structure should include a cross-section of regulators and stakeholders which should be diverse in nature. There should also be some ability for the industry to challenge the work of the governance group formed for Area 2 and Area 3 for the UTI and UPI.

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<sup>4</sup> Area 2 is described as "Implementing the UTI Technical Guidance and dealing with operational and implementation issues."

<sup>5</sup> Area 3 is described as "Coordinating among authorities, helping to ensure consistent application of technical guidance (e.g., uniqueness) across jurisdictions, and updating the UTI Technical Guidance as necessary."

## Key Criteria- Open Access (Questions #1- #4)

The consultation document articulates the key criteria identified by the FSB which guided the choice of governance arrangements including: public interest; lean; change only as needed; consultative change process; economic sustainability; open access; intellectual property; conflicts of interest; and fit for purpose. In general, State Street agrees with the identified key criteria and their respective definitions but believes that the open access key criteria should be modified. The open access key criteria states:

*Access to and use of the UTI and the UTI Data Standard should be unrestricted and free of charge for (i) Authorities and (ii) TRs acting in their capacity as TRs; and such access and use by other stakeholders should not be unduly restricted or entail undue cost.*

State Street believes that this definition should be more prescriptive and state that the UTI is fully redistributable to key stakeholders (e.g. fund administrators) free of charge. Specifically, the language should read:

*Access to and use of the UTI and the UTI Data Standard should be unrestricted and free of charge for **all stakeholders and those in the lifecycle of a derivative contract.** ~~(i) Authorities; and (ii) TRs acting in their capacity as TRs; and such access and use by other stakeholders should not be unduly restricted or entail undue cost.~~*

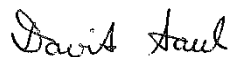
We believe this modification to the open access key criteria will encourage use of the UTI and UTI data standard and therefore should be adopted.

## Conclusion

In conclusion, State Street appreciates the opportunity to comment on the proposed consultation document. We strongly believe that custody banks provide a unique perspective and play a critical role in the post-execution lifecycle of OTC derivatives and therefore, custody banks must be involved in reference data discussions. Additionally, we believe that an International Standardization Body is an appropriate governance structure for Area 1, overseeing the UTI data standard including its structure and format, as long as key considerations such as resiliency; agility; efficiency; transparency; regulatory veto power; implementation ability; industry involvement in data standards work and maintenance; and public input through public consultations are taken into account. For Area 2 and Area 3, implementing the UTI guidance and coordination among authorities respectively, we recommend that the governance structure be simple; promote consistency; be a hierarchy structure with a global parent into which local jurisdictions report into; include a cross-section of regulators and stakeholders; include a diverse set of stakeholders; and permit the ability to challenge. Finally, our recommended modification to the open access key criteria will allow the UTI to be fully redistributable to key stakeholders free of charge.

Please feel free to contact David Saul at [dnsaul@statestreet.com](mailto:dnsaul@statestreet.com) if you wish to discuss State Street's submission in further detail.

Sincerely,



David Saul