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Submitted via email

**Re: Proposed governance arrangements for the unique transaction identifier (UTI)
Consultation document - Response**

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Bloomberg, L.P.'s¹ Open Symbology Group (Bloomberg) thanks the Financial Stability Board (FSB) for the opportunity to respond to the Consultation Document (Consultation) on the "Proposed governance arrangements for the unique transaction identifier (UTI)" published in March 2017.²

Bloomberg supports the initiative to define appropriate governance arrangements for the UTI, which will likely become an integral part of the global infrastructure for reporting and managing of financial transactions. In order for regulatory authorities and industry to realize the operational benefits the UTI can yield, it is important that optimal governance arrangements are adopted.

The primary purpose of the UTI will be to provide a tool to uniquely identify individual financial transactions submitted to Trade Repositories (TRs). The Governance arrangements chosen by the FSB should reflect the final UTI technical guidance issued earlier this year by CPMI-IOSCO which contemplates that UTIs will be issued by multiple entities (or "Mints") with each Mint issuing UTIs in the form of the Mint's Legal Entity Identifier (LEI)³ and a unique value generated by the Mint identifying a particular transaction, i.e., "[mint][value]". In general, the Consultation provides a workable framework for the UTI, which, in practice, will be largely decentralized in terms of its implementation. Please find our answers to the specific Consultation questions below.

¹ Bloomberg, L.P., the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company's strength – delivering data, news and analytics through innovative technology, quickly and accurately – is at the core of the Bloomberg Professional service, which provides real time financial information to more than 325,000 subscribers globally. The comments set forth herein are based on BLP's deep expertise in transaction reporting, data management, and analytics.

² Available at <http://www.fsb.org/wp-content/uploads/Proposed-governance-arrangements-for-the-unique-transaction-identifier-UTI.pdf>.

³ <https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei>.

Bloomberg Responses to Consultative Document Questions

Question 1: Do you consider any further criteria should be included in the list of UTI Governance Arrangements?

We are in agreement with the criteria listed in the Consultation. We firmly agree that governance must be driven by public and regulatory interest. It is essential that UTI numbers be free of any restrictions on use and redistribution, and that the UTI data standard be an open standard, freely available and free of licensing restrictions. Issuance costs should not be applicable as UTIs can be easily generated locally by users of the UTI data standard--in fact, they are produced today in the normal course of business without issuance costs or limitations.

Question 2: Are there any criteria in the list that you do not consider relevant to UTI governance arrangements?

We consider them all to have relevance to the governance arrangements.

That being said, it should be stated that access to the underlying transactional data attached to a UTI will often be restricted for reasons such as, regulatory requirements, commercial requirements, privacy and personal identification concerns, and other legal reasons.

In the same spirit, “4.7 Intellectual property” should not be meant to force a firm that generates a transaction identifier based on its own methodologies or technology to reveal that methodology or technology. The clarification being that the singular output that is the UTI should be free of any intellectual property restrictions, as opposed to any methods or technology used to generate that output.

Question 3: Are there ways in which any of the key criteria should be modified?

We believe that the criteria set out in the Consultation strike the right balance, with the clarifications noted above.

Question 4: Do you have any suggestions on how the criteria should be applied?

The UTI governance needs to be kept as simple as possible, with a minimum amount of centralization. Essentially, this should be a distributed standard created by users according to the form set out in the recent technical guidance. The UTI must, of course, be single-use uniquely identifying a particular transaction. Regulators, globally, must recognize the standard on a consistent basis and work to ensure uniform implementation. Documentation and any updates/changes to the standard should be readily accessible to the industry and open to stakeholder input.

Question 5: Can you suggest any refinements or additions to the articulated areas of governance?

The three areas outlined in the Consultation are comprehensive. One guiding principle we recommend is to avoid layering complex governance requirements on top of the relative simplicity of the UTI itself.

Question 6: Can you suggest any other functions that should be included in the above list?

Under Area 1, it should be clearly set out how documentation relating to the standard and the ongoing maintenance of the standard will be made available to the potential user base, and on what terms.

Question 7: Are there functions in the list which are not relevant for the UTI in your view?

No.

Question 8: Do you agree with this analysis? If not how would you amend it?

We agree with much of the analysis, but we do have a couple of points of clarification that we outline below, as well as suggesting an alternative option for the ongoing maintenance of the standard.

First, clarity should be made between creation of a ‘data standard’ versus a ‘process standard’ that defines the use and creation of a UTI. For the UTI, we believe that a ‘data standard’ would be inappropriate. A data standard focuses on the underlying data being generated and its structure, composition, and elements. A process standard would focus on usage rules, methodology, and maintenance requirements for UTIs.

In the analysis section, we note that the phrase ‘developing technical specifications for trade data’ is used at one point. Our understanding is that the UTI "Data Standard" pertains purely to the process of creating the [mint][value] combination as a unique identifier that can be used to reference a specific transaction. There has been no discussion previously of defining what trade-specific data would be tied to any specific UTI. We believe such a definition is unnecessary.

There are established standards such as Financial Information eXchange (FIX)⁴, Financial Products Markup Language (FpML)⁵, and Financial Industry Business Ontology (FIBO)⁶, among others, that already define the necessary trade-level data elements required for the wide variety of transaction and trade types and asset classes. Expanding the scope of UTI to define data elements would be duplicative and is unnecessary for the function of the UTI.

Secondly, the comparison of UTI with LEI is incorrect. The LEI standard defines not just a Legal Entity Identifier, but the specific purpose of the LEI, the definition of a legal entity, how relationships with other entities within the same corporate structure are captured, and the individual atomic data elements necessary to uniquely define that specific entity.

The UTI, as per the technical guidance only defines how to uniquely define a transaction, and the point at which such an identifier should be generated. The UTI's role is more limited than that of the the LEI standard. The data comprising a transaction, the nature of the transaction, and even the entities involved in the transaction (aside from the entity generating the unique transaction identifier itself) have never been part of the definition of the UTI itself, and the UTI is not dependent on that data being specifically defined in order to fulfill its function.

⁴ See, <http://www.fixtradingcommunity.org/pg/main/what-is-fix>.

⁵ See, <http://www.fpml.org/>.

⁶ See, <http://www.omg.org/spec/EDMC-FIBO/FND/>.

Therefore, we disagree that the UTI and LEI are ‘similar data standards.’ Their purpose and function are significantly different when viewed in practice. What is important in regards to the UTI and its ongoing governance is the process for deciding within the transaction lifecycle who will be responsible for the generation – as opposed to any of the underlying data that may be associated with that transaction.

The simplicity of the relationship between [mint] and [value] is such that creation of any formal new “data standard” and maintenance may create more complexity than necessary. Definition of these individual elements within an ontology such as FIBO (through the Object Management Group Financial Services Task Force) and/or within the data dictionary of ISO20022⁷ (through the ISO20022 Standards Evaluation Group and Registration Management Group) could suffice without requiring an independent data standard to be created and managed.

Question 9: Do you see any other disadvantages to seeking UTIs adoption as an International Data Standard?

In addition to the above comments about potential duplication and unnecessary overhead, the process for changing an International Data Standard could be burdensome and complex.

The many systems that exist to create transaction reference identifiers, and the variety of approaches and dependencies inherent to them, is one of the reasons CPMI-IOSCO pursued the [mint][value] approach. A proscriptive data standard could have wide-ranging adverse impacts for individual firms, significant adoption costs, and introduce unnecessary risks into established systems unintentionally. Adoption of the proposed [mint][value] approach without proscribing rigid rules on the [value] portion provides for the goals of a UTI to be met at minimum cost and with greater ease of implementation.

We agree that regulators' participation is lacking in some standards bodies. In some cases, regulators are excluded aside from ‘observer’ roles. Some regulators may also face domestic policies or regulations that prevent them from belonging to, participating in, or otherwise be seen as influencing such standards bodies. Management through some regulator-sponsored industry group or a voluntary consensus methodology could be a viable alternative for the UTI governance and ongoing management.

Question 10: Do you agree with this analysis? Or if not, how would you amend it or what alternatives would you suggest?

Whilst we agree that ISO has extensive exposure to financial services industry standards in payments and back office operations, we would suggest that the FSB engage with the Object Management Group (OMG) on the UTI as well. It may be the case that the OMG would provide a more flexible structure under which the UTI could be managed. OMG has specialized experience in optimizing machine readability of identifiers, relationships between autonomic data elements, and are overseeing development of FIBO.

It should also be understood what entities may be responsible for generation of UTI in practice. In many

⁷ <https://www.iso20022.org/>.

cases, these entities are not members of the International Standards Organization (ISO), and instead are members of other standards bodies and/or industry organizations that more closely align with their core business.

As stated previously, ‘official’ standardization of the UTI data itself (as opposed to the process and governance), is not the only option. Pursuit of a definition of UTI that can work within the various taxonomies, ontologies and data dictionaries currently existing (e.g. existing ISO/OMG standards) could likely yield more value rather than creation of an ‘UTI standard’ itself. This would promote interoperability between existing standards that currently utilize transaction identifiers.

Question 11: If a decision were taken to adopt the UTI Data Standard as an International Data Standard, should the FSB seek to impose any conditions or limitations on ISO concerning the maintenance of the UTI Data Standard? If so, which?

If the FSB does choose to work with ISO to develop an international data standard, we think it is essential that the right safeguards and controls are put into place to ensure that the standard is easily accessible, and that it can be used by the industry without restriction. Any agreement with ISO (or OMG) should be structured so as to be as limited in scope as possible.

We recognize that it is difficult for Regulators to impose binding conditions or limitations on ISO work directly. There are multiple levels of relationships involved in standards development and implementation at an entity such as ISO--from ISO itself, to individual national standards organizations that are members of ISO, and Registration Authorities and Maintenance Agencies involved in implementing ISO standards. The complexity may make it difficult for Regulators to effectively impose or manage any desired conditions.

Question 12: Can you identify any relevant lessons from the LEI governance or other standards in use in the financial community? Are there any lessons learned with respect to referral of a data standard to ISO for adoption?

The UTI needs to be lean and flexible, and so the involvement of any data standardization body should best be kept minimal. Standards which are issued under the umbrella of ISO vary significantly in how they are implemented. In some cases, this is because a centralized issuance infrastructure needs to be supported, and ISO permits a cost recovery model to be adopted in such circumstances. The LEI uses this model and is implemented and overseen in an open and transparent manner by the Global LEI Foundation (GLEIF). In other cases, the cost recovery model of some ISO standards is more opaque and can create an unnecessary burden on the industry. Given the decentralized nature and simplicity of the UTI, we do not see the need for unnecessary costs to be associated with access to and use of the UTI standard, or artificial barriers put in place regarding its definition aside from what has been put forth by CPMI-IOSCO and the FSB to date.

There are multiple frameworks that standards can operate under. The framework for governance of the UTI should be established based on the purpose and needs of the users of the standard. While the GLEIF framework works well for the LEI, it is likely not the best fit for governance of the UTI.

Question 13: (i) Do you see any other advantages and disadvantages of seeking ISO's assistance in this governance function? (ii) Should the assistance of ISO be sought from the outset or rather in a subsequent step, following implementation of the UTI?

All options should be explored, but the purpose and need for any official standardization effort needs to be clearly scoped and defined. Based on that scope and definition, the appropriate 'home' can be better determined. Standardization should not be pursued just for the sake of standardization. It should be made clear for what purpose standardization is being sought and what is being standardized--data, processes, relationships, definitions, or something else.

Question 14: Do you agree with these analyses supporting the proposed allocation of functions to Authorities, A.2.1 through A.2.5 above?

Yes.

Question 15: Are there any functions on this list that you think would be better allocated to a different governance option? If so, which functions and why?

Authorities within a regime should identify the entities that will be responsible for issuing UTI's according to the Technical Guidance and maintain some type of forum for engaging those entities in discourse, resolution of questions or issues, and communication of new regulatory views in regards to UTI use and generation.

Question 16: Do you perceive ways in which any of the proposed allocation of governance functions may not be in line with the key criteria? If so, how and why?

In order to ensure that the key criteria continue to be met, there needs to be an ongoing oversight role for the FSB, specifically to ensure that implementations by individual authorities continue to reflect the key criteria of the UTI, and that national divergences are minimized.

Question 17: Regarding A.2.5, should the need arise, do you think that instead of the CPMI and IOSCO or the FSB, another international entity should ensure that the key criteria for governance remain fulfilled from the outset of UTI implementation? Should the FSB alternatively recommend that Authorities oversee implementation and await indications of a need for international compliance oversight before allocating this coordination function to an international body?

It would make most sense for this oversight to come from the FSB, with coordination with other international Authorities as appropriate.

Question 18: Do you have a view on whether UTI implementation, including the setting of a timeline for implementation, should be conducted by Authorities alone or assisted by an international regulatory body?

We do not see this responsibility sitting just with individual authorities. We think there is a coordination role for the FSB or CPMI-IOSCO, as appropriate.

Question 19: In your view, should the monitoring of implementation of the UTI be performed by Authorities or by another body?

This should be a combined effort. National Authorities should be the first line in monitoring implementation, but we think that this can be more effective if oversight is provided by an international regulatory body such as the FSB.

Question 20: If you feel that Authorities should not be responsible for implementation of the UTI, should an existing body be given this responsibility or should a new body be created for this purpose? If the latter, what kind of body?

Please refer to our answer to Q19.

Question 21: What is your view as to the most appropriate arrangement for the maintenance (updating) of the guidance? Should an existing body be given this responsibility or should a new body be created for this purpose?

It seems unnecessary to create a new body to update the UTI technical guidance. This is best performed by individual National Authorities working with CPMI-IOSCO, which produced the original technical guidance. As noted above, joint forums with the industry, along the lines of past consultations by CPMI-IOSCO regarding the UTI, Unique Product Identifier and Other Data Elements are good alternatives.

Question 22: In your view is there an immediate need for an international coordinating body? Please share your views on this point.

As indicated by our previous answers, we do not think that new international bodies are required for the ongoing implementation and management of the UTI. Instead, international forums can be used, as they have been the past for the UTI, together with international regulatory and national authorities overseeing the implementation and coordination of the technical guidance.

Best regards,



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