

November 21, 2017

Secretariat  
Financial Stability Board  
Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel  
Switzerland

Dear Secretariat,

Chatham thanks the Financial Stability Board (FSB) for the opportunity to comment on the governance arrangements for the Uniform Product Identifier (UPI). Chatham helps corporate endusers, commercial real estate firms, private equity funds, and community and regional financial institutions arrange and execute hedges to manage their interest rate, foreign currency, and commodity risk. Many of these hedges are executed through highly bespoke, customized instruments that may need unique UPI codes.

Because of this, Chatham believes it is important that the governance of a UPI framework or facility generally ensure that:

- The UPI is based on an open-source standard with no unnecessary restrictions on use, reuse or derivative works,
- Access to UPI reference data is free and the data is stored in a fashion that makes it easily searchable to confirm whether a product has an existing UPI,
- Access to UPI's and their reference data is open,
- The UPI program is run on a cost recovery basis, and
- Endusers and smaller market participants that rely on custom hedging instruments do not face undue costs to obtain and use UPIs.

More specific answers to the questions that the FSB has asked follow.

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

Given the broad role that the UPI is intended to provide as a tool for regulators to be able to process, aggregate and analyze transaction data, Chatham believes that regulators must be responsible for overseeing and balancing the costs of a UPI system relative to the public interest and regulatory objectives the UPI is intended to fulfill. Not only is this necessary to ensure that public interest objectives are met, it is critical in order to make sure the UPI is implemented and evolves in a way that will achieve its intended regulatory purpose. If the UPI governance is outsourced to a third party, it is less likely that regulators will develop the expertise and familiarity necessary to make sure the UPI fulfills its intended role.

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

No response.

***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?***

The UPI system should operate on a cost recovery model overseen by regulators.

***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 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?***

Given that much is still unknown about how the UPI will function in practice, it is important that cost recovery is defined by the regulators in conjunction with affected stakeholders and the public. It is particularly important that the needs of endusers, who may bear disproportionate cost burdens relative to their transaction volumes, are accounted for.

***Q5. How should costs be allocated amongst stakeholders?***

As noted in question 4 above, there is still much that is unknown about how the UPI will function in practice. Cost allocation should be determined by the regulators in conjunction with affected stakeholders and the public. It is particularly important that the needs of endusers, who may bear disproportionate cost burdens relative to their transaction volumes, are accounted for.

***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-recovery 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?***

A UPI service provider's cost calculations should be governed by principles determined by the regulators in conjunction with affected stakeholders and the public. Given the importance of the UPI and the potential costs associated with it, an annual audit or review should be considered with an appropriate report being provided to the public to ensure accountability.

***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?***

Chatham believes that the different categories of users that exist and their use cases for the UPI will need to be considered in developing a price structure based on cost. Undue costs should not be placed on endusers, infrequent users of UPIs, or the public.

***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?***

No response.

***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?***

The UPI Reference Data Library should not be subject to any intellectual property restrictions.

***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.***

Chatham does not currently have a view on this question.

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

A UPI Service Provider should comply with industry standard business continuity requirements.

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

The governance of the Legal Entity Identifier (LEI) should be considered. As with product identifiers, entity identifiers have a history of becoming costly over time. Governance models involving private entities are likely to prove inherently problematic as their incentives tend not to be directly aligned with the public interest. Public governance models also have their own shortcomings. On balance, the FSB will have to decide which model is most likely to fulfill regulator's purposes for the LEI and ensure that its administration is in the public interest.

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

No response.

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

Yes, we agree that the general categorization makes sense.

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

No response.

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

No response.

***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?***

No response.

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

No response.

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

No response.

***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.***

No response.

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

No response.

***Q22. What would be the respective costs and benefits of the different potential models to administer the UPI System specified above?***

No response.

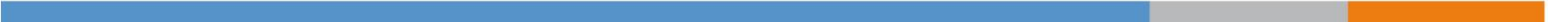
***Q23. What would be the impact on market participants and other key stakeholders of having multiple UPI Service Providers (whether across asset classes or serving the same asset class) in terms of:***

***(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?***



While we do not have a view on whether there should be one or multiple providers of UPIs, we do note that consumers of UPIs and their reference data will need access to the entire universe of UPIs and reference data. This might be difficult to achieve if UPIs and their reference data were housed at different providers.

***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?***

No response.

Thank you again for the opportunity to respond. If we can answer any further questions, please feel free to contact me at [ejuzenas@chathamfinancial.com](mailto:ejuzenas@chathamfinancial.com) or 1.484.731.0061.

Sincerely,

Eric Juzenas  
Director, Global Regulatory Solutions