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Financial Stability Board  
Basel, Switzerland.

Submitted via e-mail to [fsb@fsb.org](mailto:fsb@fsb.org)



London, May 5<sup>th</sup> 2017

## **Consultation Document – Proposed governance arrangements for the unique transaction identifier (UTI)**

Dear Sir/Madam,

IHS Markit is pleased to submit the following comments to the Financial Stability Board (“**FSB**”) Working Group on the Governance of the UTI and UPI (“**GUUG**”) in response to its Consultation Document (Consultation)– Proposed governance arrangements for the unique transaction identifier (“**UTI**”).

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide.<sup>1</sup> The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world’s leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

### **Introduction**

IHS Markit’s derivatives processing platforms are widely used by participants in the OTC derivatives markets today and are recognised as tools to increase operational efficiency, reduce cost, and secure legal certainty. With globally over 2,000 firms using the various MarkitSERV platforms that process, on average, 90,000 OTC derivative transaction processing events per day they form an important element of the workflow, and also in supporting firms’ compliance with several regulatory requirements across jurisdictions. Specifically, the MarkitSERV platforms facilitate the electronic confirmation of a significant portion of OTC derivatives transactions worldwide, submit them for clearing to 16 CCPs globally, and, for many counterparties<sup>2</sup>, report their details to trade repositories (“**TRs**”) in Europe, the United States, Canada, Japan, Hong Kong, Singapore and Australia.

We welcome the publication of this Consultation Document and we very much welcome regulatory and industry efforts that aim to ensure the consistent use of

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<sup>1</sup>See [www.ihsmarkit.com](http://www.ihsmarkit.com) for more details

<sup>2</sup>Globally, we currently report transactions to Trade Repositories for over 100 firms and more than 1,000 entities, including most of the large, globally active dealers.

identifiers, including Legal Entity Identifiers (LEIs), UTI, and Unique Product Identifiers (UPIs), as well as other relevant reference data elements.

## Comments

IHS Markit is pleased to comment on the FSB Consultation Document on proposed governance arrangements for the UTI. As described in further detail below, we:

- Agree with the proposed governance criteria for the UTI. However, the GUUG should consider issuing guidance to ensure “non-conflicting” implementation of the UTI data standard.
- Recommend that the GUUG consider the differences in UTI data standard and the UPI data standard when proposing UPI governance arrangements. The prohibition of intellectual property rights are compatible with the nature of the UTI data standard but would not be appropriate for a reliable and comprehensive UPI Data Standard.
- Believe that the UTI data standard should be adopted as the International Data Standard and ISO should be chosen to implement it.

### ***Q4. Do you have any suggestions on how the criteria should be applied?***

We largely agree with the key criteria that the FSB has established for the governance of the UTI and would like to emphasise our strong support for the following criteria:

#### ***a. Lean***

We believe this to be the most important of the governance criteria established by the FSB. Low cost of UTI governance structure is necessary to ensure a low cost implementation of the UTI data standard.

#### ***b. Change Only as Needed and Consultative Change process***

We agree with the GUUG that the UTI Governance Arrangements, UTI Technical Guidance and UTI Data Standard should be changed only as needed given the high costs involved. We also believe that input of all relevant stakeholders be considered before any change is made to the UTI Governance Arrangements, UTI Technical Guidance and UTI Data Standard. Furthermore, the consultative change process should reflect a consensus view, e.g., a change to the UTI Data Standard should only be approved by a supermajority of the industry members on the board<sup>3</sup> that would oversee the governance functions related to Area 3.<sup>4</sup>

We believe that the UTI governance board should play a role in ensuring that the UTI Data Standard is implemented in a non-conflicting manner between different jurisdictions. In other words, UTI generated in one jurisdiction should

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<sup>3</sup> We believe that the bodies that oversee the governance functions related to Area 3 should include the FSB, CPMI-IOSCO, national regulators, representatives from the industry and trade bodies.

<sup>4</sup> Section 5, Pg. 7

not be ineligible for use in another jurisdiction. The UTI governance board should monitor and advise jurisdictions where the rules on the UTI data standard are incompatible with the format that is recommended by CPMI-IOSCO in its final Technical Guidance regarding the Harmonisation of the Unique Transaction Identifier. To ensure that different jurisdictions have non-conflicting rules it is imperative that the jurisdiction with rules that are incompatible with the UTI data standard amend them to make it compatible with the technical guidance. Other jurisdictions can then mandate data standards that are compatible with the technical guidance issued by CPMI-IOSCO. To further ensure smooth implementation of the UTI data standard the UTI governance board should recommend a prolonged transition period during which all jurisdictions have sufficient time to implement rules that are in accordance with the technical guidance issued by CPMI-IOSCO.

### **c. *Open Access and Intellectual Property Criteria***

The Open Access and Intellectual Property are compatible with the UTI Data Standard. This is because

there are no existing industry reference data products that can or should be used to implement the UTI Data Standard. In other words, the UTI would not benefit in terms of enhanced reliability or comprehensiveness from the use of proprietary reference data. Moreover, the method for generating UTIs is straightforward and requires relatively little investment for a UTI issuer. We note further that the UTI generation process is decentralized with Precision ensured based on a clear waterfall allocating issuance duties. In contrast, the UPI generation process requires global consistency which implies some degree of centralization.

We recognize that this is a forum to comment on governance issues related to the UTI. However, we believe that it is important to distinguish between the nature of the appropriate governance requirement for the UTI versus the UPI.

The UPI Data Standard as proposed in CPMI-IOSCO's Second Consultative Document (2016) would include constituents that require continual maintenance which requires a significant ongoing investment of resources.

We would encourage the GUUG to apply more flexible versions of the Open Access and Intellectual Property criteria for the UPI because existing industry standard reference data can be leveraged and result in quicker to implement, Precise, and Comprehensive UPI regime. If the Open Access and Intellectual Property criteria from the Consultation are applied without modification from the Consultation in a UPI governance context, the result would be a credit UPI that is neither Precise nor Comprehensive. Under these constraints, the credit UPI that would emerge would likely utilize the LEI database as a source for the Underlier ID. The LEI database is imprecise. This is because the onus is on the LEI holder to submit corporate changes which may or may not happen promptly and is least likely to occur around the most important moments in the credit markets, e.g., at the time of credit events. Corporate actions data could help address some of these issues but this data would have to be licensed. Moreover, proprietary corporate actions data would not solve other Precision-related problems, e.g., issues relating to reference obligation reference data.

Moreover, the LEI database is not Comprehensive. We estimate that approximately 20% of credit derivative products will be based on entities that will never have an LEI even with perfect adoption and compliance with LEI registration rules.

In short, UPI governance should be driven by the ultimate utility and reliability of the UPI and not ideological commitments. In the case of the UTI a totally non-proprietary approach can be useful and reliable, the same is not the case for all UPI asset classes.

**Q5. Can you suggest any refinements or additions to the articulated areas of governance?**

We believe that the task of UTI governance should not be entrusted to market participants who are responsible for the governance of existing data standards that would be a constituent of the UTI data standard. The operators of such data standards, such as the LEI, have a different set of expertise than what is needed to operate the UTI data standard.

**Q8. Do you agree with this analysis? If not, how would you amend it?**

We believe that the UTI Data standard should be adopted as an International Data Standard and that the ISO should be chosen for the establishment and maintenance of the UTI Data Standard structure and format as an International Data Standard.

However, the duties and responsibilities of ISO should be limited to the establishment of the UTI Data Standard as an International Data Standard and should not extend to any governance functions. Extending ISO involvement in governance would needlessly complicate UTI governance and likely lead to increased costs.

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We hope that our above comments are helpful. We would be more than happy to elaborate or further discuss any of the points addressed above in more detail. If you have any questions, please do not hesitate to contact us.

Yours sincerely,

/s

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## **APPENDIX**

We appreciate that this consultation is intended only for feedback towards the proposed UTI Governance Arrangements. We read with great interest the CPMI-IOSCO technical guidance on the Harmonisation of the UTI (Guidance) and we largely agree with the provisions of this Guidance. However, we believe there are some potential areas of improvement which we would like to bring to the attention of the GUUG (we have referred to the section of the Guidance where relevant):

- The UTI should not change in circumstances where there was an error of identity of counterparties in a previous report (Section 2.).
- Each component of a package transaction should have a separate UTI but these UTIs should also differ from the UTI of the package transaction (Section 3.1).
- The principles set out by CPMI-IOSCO in Section 3.3 (Principle 10) prescribe an approach where UTI generation responsibility should be assigned to regulated entities to ensure enforceability of the rules. However, in Step 6 of Table 1 CPMI-IOSCO has proposed that confirmation platforms generate the UTI. Confirmation platforms are usually unregulated and provided by third party vendors. We would advise clarification on this point.
- Counterparties to a transaction may not know if the transaction is cross-jurisdictional at the time of execution. We believe that if the transaction is cross-jurisdictional then confirmation platforms are better placed to generate the UTI than as Step 10 of Table 1 suggests.
- A party to a transaction is usually not aware whether the counterparty is subject to reporting requirements. In such cases confirmation platforms should be allowed to generate the UTI (Table 1, Step 5).