

# **Governance arrangements for the unique product identifier (UPI): key criteria and functions**

## **Consultation document**

3 October 2017

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# Contents

- 1 Overview ..... 1
- 2 Background..... 2
  - 2.1 FSB OTC derivatives data aggregation feasibility study..... 2
  - 2.2 Mandate of the FSB GUUG..... 3
  - 2.3 Present consultation ..... 3
  - 2.4 Purpose and structure of this consultation document ..... 4
- 3 UPI..... 4
- 4 Key criteria for the UPI Governance Arrangements ..... 5
  - 4.1 Public interest ..... 5
  - 4.2 Lean ..... 5
  - 4.3 Change only as needed ..... 5
  - 4.4 Consultative change process ..... 6
  - 4.5 Economic sustainability ..... 6
  - 4.6 Open access..... 6
  - 4.7 Cost..... 6
  - 4.8 Intellectual property ..... 6
  - 4.9 Conflicts of interest..... 7
  - 4.10 Fit for purpose..... 7
  - 4.11 Consideration of other Governance Frameworks ..... 7
  - 4.12 Operational viability and continuity of UPI Service Provider operations ..... 7
- 5 UPI areas of governance and governance functions..... 8
  - 5.1 Functions related to ongoing generation of UPIs ..... 9
    - F5.1.1 Production and routine maintenance ..... 9
    - F5.1.2 New UPI protocol..... 9
    - F5.1.3 Review and assessment ..... 9
  - 5.2 Functions associated with the oversight of the UPI System ..... 9
    - F5.2.1 Oversight of production and routine maintenance ..... 9
    - F5.2.2 Functions associated with implementation ..... 10
    - F5.2.3 Functions associated with oversight of ongoing operations..... 10
- 6 Considerations regarding one versus many UPI Service Providers ..... 11
- 7 Summary and next steps ..... 12
- Annex 1 List of consultation questions ..... 13
- Annex 2 List of acronyms and defined terms ..... 15
- Annex 3 Members of the Working Group on UTI / UPI Governance..... 18



# 1 Overview

The FSB seeks public comment on proposed key governance criteria and governance functions for the Unique Product Identifier (UPI), a key data element for reporting over-the-counter (OTC) derivative transactions. (See Annex 1 (consultation questions).)

The primary purpose of a UPI is to identify the product that is the subject of a particular OTC derivatives transaction. A UPI would be assigned to each product, and regulators would be able to aggregate OTC derivatives transactions by product (using the UPI Code) or by individual reference data elements that comprise the product (such as the underlier). The report of an OTC derivative transaction that would be submitted to a Trade Repository (TR) would include the UPI of the product transacted; therefore, the UPI must meet the needs of the authorities that use the data held in the TRs. (See Annex 2 (terminology) for acronyms and defined terms, which are capitalised in this document.) In particular, a UPI should help facilitate aggregation of OTC derivatives transactions, helping regulators to assess systemic risk and perform other market oversight functions.

In September 2014, the FSB asked the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) to develop global guidance on harmonisation of data elements that are reported to TRs and are important to aggregation by authorities.<sup>1</sup>

Pursuant to that request, on 28 September 2017, the CPMI and IOSCO issued the UPI Technical Guidance, setting out the requirements for a UPI Code and related reference data.<sup>2</sup>

There are several features of the UPI Technical Guidance which have implications for governance. The UPI Technical Guidance contemplates the existence of one or more UPI Service Providers to assign UPIs and maintain a corresponding UPI Reference Data Library to facilitate the unique assignment of a UPI Code to each OTC derivatives product. There will be a need for sustained industry cooperation and leadership to help create and maintain the UPI System. Regulatory oversight of such a system will likely have to also be sustained. Thus the analysis and recommendation of a proposed governance structure is a complex task.

The FSB begins its public consultation process with proposed governance criteria and governance functions for the UPI System. The consultation document has been prepared by the FSB's Working Group on UTI and UPI Governance (GUUG). (See Annex 3 (GUUG members).) The end goal of the GUUG is to identify, and recommend recognition by the FSB of, one or more UPI Service Providers, and the establishment of UPI Governance Arrangements, coordinating with the CPMI and IOSCO working group for the harmonisation of key OTC derivatives data elements (Harmonisation Group or HG) to ensure that these actions are consistent with the UPI Technical Guidance.

After completion of this consultation round, the FSB contemplates additional public consultation for the UPI System, assisted by the CPMI and IOSCO as technical issues arise.

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<sup>1</sup> See FSB (2104), "FSB publishes Feasibility Study on Aggregation of OTC Derivatives Trade Repository Data" (Press Release), 19 September 2014; available at [www.fsb.org/2014/09/pr\\_140919/](http://www.fsb.org/2014/09/pr_140919/).

<sup>2</sup> See CPMI and IOSCO (2017), *Technical Guidance: Harmonisation of the Unique Product Identifier*, available at <http://www.bis.org/cpmi/publ/d169.htm> and <https://www.iosco.org/news/pdf/IOSCONEWS474.pdf>.

There are many industry initiatives under way that may, alone or in combination, assist in the identification or creation of UPI Service Provider(s) and an appropriate regulatory oversight over the UPI System. Nonetheless, this public consultation does not seek comment on particular candidates for UPI Service Provider(s), but instead asks what governance criteria should be fulfilled by any future governance structure and what governance functions any future governance structure should undertake.

## 2 Background

### 2.1 FSB OTC derivatives data aggregation feasibility study

Currently, a particular OTC derivatives transaction might be reported to one of several TRs in a given jurisdiction, and a cross-border OTC derivatives transaction might be reported to two separate TRs, each in a separate jurisdiction. Thus, the information about OTC derivatives transactions is currently distributed across a number of TRs. The FSB seeks to develop mechanisms to allow for the aggregation of the data being reported to different TRs to help ensure that relevant authorities are able to obtain a comprehensive global view of the OTC derivatives market.

In September 2014 the FSB published the final report of the aggregation feasibility study, which recommended a number of key preparatory steps that should be undertaken to enable effective global aggregation of OTC derivatives data held in TRs.<sup>3</sup> In particular, the aggregation feasibility study noted that, irrespective of decisions on global aggregation, it is important that the work on standardisation and harmonisation of important data elements be completed, including through the global introduction of the legal entity identifier (LEI) and the creation of a UTI and a UPI. The aggregation feasibility study noted that these steps would also provide broader benefits for the reporting and usability of TR data, beyond the benefits of permitting regulators to aggregate data globally.<sup>4</sup>

In relation to the UTI and UPI, the FSB at that time:

- asked the CPMI and IOSCO to develop technical guidance on harmonisation of data elements that are reported to TRs and are important to aggregation by authorities; and
- undertook to work with the CPMI and IOSCO to provide official sector impetus and coordination for the further development and implementation of uniform global UTIs and UPIs.

The CPMI and IOSCO established the Harmonisation Group in November 2014 to prepare technical guidance on relevant data elements, including the UTI and UPI, and published such guidance for UTI in February 2017 and for UPI on 28 September 2017.<sup>5</sup>

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<sup>3</sup> For more detail, see FSB (2014), *Feasibility study on approaches to aggregate OTC derivatives data*, 19 September; available at: [www.fsb.org/wp-content/uploads/r\\_140919.pdf](http://www.fsb.org/wp-content/uploads/r_140919.pdf).

<sup>4</sup> *Id.* at p.38 (standardisation of the transaction identifier assists in avoiding double-counting, linking transactions when a life cycle event occurs, and linking associated trades).

<sup>5</sup> For the UPI, see document cited at footnote 2. For the UTI, see CPMI and IOSCO (2017), *Harmonisation of the Unique Transaction Identifier: Technical Guidance*, available at <http://www.bis.org/cpmi/publ/d158.htm> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD557.pdf>.

## **2.2 Mandate of the FSB GUUG**

In March 2016, the FSB established the GUUG with the primary objective of recommending to the FSB's decision-making body, the FSB Plenary, Governance Arrangements for each of the UTI and UPI that fulfil identified functional needs and meet relevant criteria.

In order to fulfil this objective, according to its mandate, the GUUG should *inter alia*: (i) identify the necessary functions of Governance Arrangements for the UTI and UPI; (ii) define key criteria for potential Governance Arrangements for each identifier; and (iii) propose Governance Arrangements for the UTI and the UPI.

In doing so, the GUUG is to consult with the Harmonisation Group, relevant authorities, industry, and other stakeholders, and may utilise requests for comments, issuance of consultative documents, or other consultative processes as decided by the GUUG.

The GUUG's work is intended to support the FSB's broader objective of providing official sector impetus and coordination for the further development and implementation of uniform global UTIs and UPIs.

In fulfilling its mandate, the GUUG may recommend:

- (a) whether there should be an International Data Standard for the UPI;
- (b) whether the UPI Service Provider functions should be undertaken by a single global actor or multiple actors;
- (c) whether the UPI Service Provider(s) should have a particular regulatory status and which entity would authorise/supervise it or them;
- (d) a process for identifying or establishing the UPI Service Provider(s), including the criteria to be used in selection and identifying which entity/entities would make the decision;
- (e) appropriate actors to undertake one or more functions related to oversight and operation of the UPI Service Provider(s);
- (f) the operation and structure of a (new or established) international regulatory oversight body to perform the functions set forth below;
- (g) a cost and funding framework for the UPI System;
- (h) designating appropriate external actors to undertake one or more functions related to oversight and operation of the UPI Service Provider(s); and
- (i) what arrangements, including potentially legally binding arrangements, are necessary for the performance of such functions.

Issues listed above that are not addressed in this consultation document may be the subject of further public consultation.

## **2.3 Present consultation**

As discussed in this document, the FSB is issuing this request for public comment on proposed governance criteria and governance functions for the UPI. This consultation document has been prepared by the GUUG.

After the consultation, and taking into account the received contributions, the FSB expects to further consult with industry stakeholders and undertake additional public consultation(s), working in close coordination with CPMI and IOSCO on technical UPI matters.

## **2.4 Purpose and structure of this consultation document**

The purpose of this consultation document is to seek the views of any interested persons on the key criteria preliminarily identified by the FSB for selecting, and the key functions to be undertaken by, future UPI Governance Arrangements. A number of issues consulted on in this document will be further refined and consulted on in a second consultation (see section 7 below).

The structure of this document is as follows:

- Section 3 describes the concept and characteristics of the globally harmonised UPI and the contents of the CPMI and IOSCO UPI Technical Guidance that are relevant to governance considerations;
- Section 4 sets out key criteria the FSB has preliminarily identified to assess UPI Governance Arrangements;
- Section 5 outlines the potential governance functions that the FSB anticipates should be performed;
- Section 6 sets out considerations on one versus many UPI Service Providers; and
- Section 7 concludes and outlines the next steps in this consultation process and the GUUG's work processes.

To help respondents structure their feedback, questions are set forth in sections 4, 5, and 6 and repeated in Annex 1. We welcome responses to these questions and any other comments respondents wish to provide on the proposed key criteria and functions for the UPI Governance Arrangements.

## **3 UPI**

A number of reports have identified OTC derivatives data elements – including the UPI – that are critical to many aspects of regulatory work. The UPI Technical Guidance envisions a system under which a unique UPI Code would be assigned to each distinct OTC derivative product and map to a set of reference data elements having specific values that together describe the product. The collection of reference data elements and their values for each product would reside in a corresponding UPI Reference Data Library that would be administered by the UPI Service Provider(s).

The role of the UPI is to uniquely identify each OTC derivative product involved in an OTC derivatives transaction that an authority requires, or may require in the future, to be reported to a TR. When used in this report, the term “UPI System” refers to the UPI Code, the UPI Reference Data Library, and the process of assigning a UPI Code to a set of reference data elements.

The UPI Technical Guidance includes a discussion of the reference data elements, including the appropriate level of granularity of the UPI reference data and the desired structure of the UPI Code. It is global in scale, takes account of relevant international technical standards where available, including applicable International Organization for Standardization (ISO) technical standards, and is jurisdiction-agnostic.

The UPI Technical Guidance covers:

- the technical principles applicable to the UPI;

- the UPI Reference Data Elements required for each OTC derivative asset class;
- the identification of underlying assets and benchmarks of OTC derivative products (underliers); and
- the UPI Code structure.

The Technical Guidance does not address the work concerning the Governance Arrangements or the implementation of the UPI.

## **4 Key criteria for the UPI Governance Arrangements**

In order to select the most appropriate UPI Governance Arrangements, there is a need to set out key criteria for evaluating different possible options. This section sets forth the FSB's preliminary views on key criteria and the rationale for each. It also provides the FSB's preliminary views on some key topics that the FSB will likely have to analyse using the key criteria in the future.

Consistent with the rationales provided below and with due consideration given to the UPI Technical Guidance and the nature of the UPI System, the FSB has preliminarily identified the following key criteria guiding the choice of Governance Arrangements.

### **4.1 Public interest**

Governance should be driven by the public and regulatory interest.

*Rationale:* The G20 in Pittsburgh set out the goals of improving transparency in the OTC derivatives markets, mitigating systemic risk, and protecting against market abuse. One of the means identified by the G20 to further these goals was to have all OTC derivatives transactions reported to a TR. Effective governance of a UPI System will further these goals by uniquely and consistently identifying OTC derivative products, thereby facilitating the aggregation of OTC derivatives data held in TRs.<sup>6</sup>

### **4.2 Lean**

The UPI Governance Arrangements should not be unnecessarily complex or costly.

*Rationale:* Implementation of the UPI System at a global scale may require investments from stakeholders. To minimise the costs and burdens associated with the use of the UPI while seeking as much as possible to maximise the benefits, and to help ensure the efficiency and transparency of the UPI Governance Arrangements, they should minimise complexity to the extent practicable and should take due account of existing resources and arrangements.

### **4.3 Change only as needed**

Revisions to the UPI Governance Arrangements, the UPI Technical Guidance and UPI System should be managed on a need-only basis and consider benefits and costs of such revisions, to minimise impacts on various stakeholders.

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<sup>6</sup> See FSB (2014), *Feasibility study on approaches to aggregate OTC derivatives data* (September), available at [www.fsb.org/wp-content/uploads/r\\_140919.pdf](http://www.fsb.org/wp-content/uploads/r_140919.pdf), p.37.

*Rationale:* Changes could be costly to implement or make it difficult to preserve the integrity and uniform implementation of the UPI Technical Guidance and the UPI Governance Arrangements.

#### **4.4 Consultative change process**

Changes to the UPI Governance Arrangements, the UPI Technical Guidance and UPI System (except for the day to day process of updating the data held in the UPI Reference Data Library) should allow for direct or indirect involvement of stakeholders and should be made after public consultation where appropriate.

*Rationale:* A key prerequisite of any UPI Governance Arrangements should be transparency, implying fair involvement of stakeholders in any such arrangements. This will help to ensure stakeholder awareness and support and could help identify ways to minimise implementation challenges.

#### **4.5 Economic sustainability**

The UPI Governance Arrangements should be consistent with the need to help ensure the economic sustainability of the UPI System over time.

#### **4.6 Open access**

Access to, and use of, UPI Codes and the UPI Data Standard should be unrestricted. Authorities should have access to, and use of, the UPI Reference Data Library that is similarly unrestricted. Entities with reporting obligations and TRs should have access to, and use of, the UPI Reference Data Library in a manner that is sufficient to at least allow them to associate a specific OTC derivative product to its UPI Code in a timely manner and facilitate the discharge of reporting obligations for OTC derivatives transactions.

*Rationale:* Allowing a UPI Service Provider(s) or other stakeholders to impose access or usage restrictions on UPI Codes or the UPI Data Standard could, because of compulsory reporting requirements, result in rent extraction from persons who are subject to reporting requirements and could defeat the purpose of the UPI.

#### **4.7 Cost**

Any fees charged by the UPI Service Provider(s) should be based on cost recovery and should be allocated among stakeholders fairly. For Authorities, use of the UPI System should be free.

*Rationale:* Fees to be paid by any stakeholders in relation to the UPI should not discourage the use of the UPI System and should not allow rent extraction by any UPI Service Provider(s).

#### **4.8 Intellectual property**

The UPI Data Standard should not be subject to any intellectual property restriction. Consistent with this, the use of any UPI Code should be free of licensing restrictions. As to the UPI Reference Data Library, intellectual property restrictions should be applied in a manner consistent with the rules applicable in a given jurisdiction.

#### **4.9 Conflicts of interest**

The UPI Service Provider(s) should have policies and procedures that are reasonably designed to detect and effectively manage any potential conflict of interest. Access to the UPI should not be tied or bundled with any other services offered by a UPI Service Provider.

*Rationale:* All users of the UPI System should be treated impartially.

#### **4.10 Fit for purpose**

UPI Governance Arrangements should be able to perform the relevant functions identified in a timely and efficient manner and should have reasonable access to the necessary resources and information to do this. UPI Governance Arrangements should maintain the fitness of the UPI System and UPI Technical Guidance for the needs of Authorities.

#### **4.11 Consideration of other Governance Frameworks**

Governance Frameworks for the UPI should take into consideration other Governance Frameworks that impact other data elements, such as the LEI, the UTI, and other critical data elements for OTC derivatives.

#### **4.12 Operational viability and continuity of UPI Service Provider operations**

Governance of the UPI System should be such that any UPI Service Provider should be required to have adequate resources, legal authorities, and reasonable policies and procedures in place designed or adequate to ensure operational viability, system security, and business and system continuity and succession, so as to enable it to operate securely and effectively as a UPI Service Provider.

*Rationale:* The OTC derivatives markets are global and market activity continues almost continually. The services of a UPI Service Provider are needed at almost any time. The UPI System should be maintained even if a UPI Service Provider ceases operations or ceases to be recognised as a UPI Service Provider.

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| <p><b>Q1.</b> <i>Do you consider any further criteria should be included in the above list?</i></p> <p><b>Q2.</b> <i>Are there ways in which any of the key criteria should be modified? If so, which ones and how?</i></p> <p><b>Q3.</b> <i>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?</i></p> <p><b>Q4.</b> <i>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?</i></p> <p><b>Q5.</b> <i>How should costs be allocated amongst stakeholders?</i></p> <p><b>Q6.</b> <i>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</i></p> |
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*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?*

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

## **5 UPI areas of governance and governance functions**

In this section, the FSB lists out for consultation purposes the governance functions that it considers will need to be allocated to one or more entities or authorities.<sup>7</sup> Identifying the governance functions is not intended to prejudge which entity or entities<sup>8</sup> should be allocated particular governance functions. Indeed, one of the reasons for consulting on the governance functions is to seek feedback on who should undertake them.

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<sup>7</sup> Some of the functions listed below could be done by a UPI Service Provider(s) in accordance with the UPI Technical Guidance. They are listed here for the sake of completeness.

<sup>8</sup> Such entities could form part of the UPI Governance Arrangements or the broader Governance Framework in which the UPI Governance Arrangements would be implemented. This broader Governance Framework could include Authorities, International Standardisation Bodies or Standard-Setting Bodies, and other public or private entities.

## **5.1 Functions related to ongoing generation of UPIs**

### *F5.1.1 Production and routine maintenance*

- (a) Producing and assigning UPI Codes to OTC derivatives products in conformity with the UPI Technical Guidance, the UPI Data Standard, and any other standards relating to the UPI System that may prevail.
- (b) Updating and publishing the list of UPI Codes (including historical data) and associated UPI Reference Data Elements for each UPI Code.
- (c) Maintaining the UPI Reference Data Library (containing the UPI Reference Data Elements) and the permissible values thereof per asset class/product type.
- (d) Establishing and maintaining adequate policies and procedures to conform to the UPI Technical Guidance and the UPI Data Standard (and any other standards relating to the UPI System that may prevail).
- (e) Maintaining a history of issued UPI Codes to avoid reuse; to ensure compatibility of old and new versions of the UPI; and to facilitate the performance of historical data analysis.

### *F5.1.2 New UPI protocol*

Establishing and maintaining the policies and procedures governing applications for obtaining new UPI Codes. This would include the form and manner of data submission, how users must connect to the UPI Service Provider(s) to provide data and request a UPI Code, and timelines for request processing.

### *F5.1.3 Review and assessment*

- (a) Reviewing the UPI System to accommodate new product types, including deciding whether each addition or change to product types requires a change to associated reference data (e.g., through addition of new allowable values for the UPI Reference Data Elements within a given asset class or product type).
- (b) Reviewing the UPI System to maintain appropriate granularity, having a process for accounting for errors in issuance of UPIs, and deprecating UPIs that become obsolete.
- (c) Periodically assessing the distribution of products within the classification system and ensuring that products are assigned their proper taxonomical classification when appropriate.

## **5.2 Functions associated with the oversight of the UPI System**

### *F5.2.1 Oversight of production and routine maintenance*

- (a) Coordinating as necessary and where appropriate with market participants, UPI Service Providers (if there are more than one), third parties who issue any underlier identifiers used in the UPI Reference Data Library, infrastructure providers, and regulators with regard to changes in or introductions of the identifiers of underliers.

- (b) Issuing recommendations for further updates or changes to reference data or related data structures.
- (c) Overseeing the technical decisions of any UPI Service Provider, and ensuring that there is a mechanism for responding to complaints and inquiries.
- (d) Coordinating with international regulatory oversight bodies and Authorities.

#### *F5.2.2 Functions associated with implementation*

- (a) If the FSB were to determine that there should be an International Data Standard for the UPI Code and/or any UPI Reference Data Elements, taking necessary steps to achieve such a standard.
- (b) Recommending a coordinated approach for UPI implementation by Authorities, including timing aspects.
- (c) Implementation of the UPI through Authorities' rules and regulatory oversight, as appropriate.

#### *F5.2.3 Functions associated with oversight of ongoing operations*

- (a) Disseminating UPI Technical Guidance. The UPI Technical Guidance, as addressed to Authorities, shall be disseminated to facilitate its broad application.
- (b) Overseeing the UPI Service Provider(s) and the monitoring of their adherence to the UPI Technical Guidance, the UPI Data Standard, any other standards relating to the UPI System that may prevail, the UPI Governance Arrangements, and any terms or conditions forming part of such arrangements.
- (c) Taking any action with regard to the provision of services by the UPI Service Provider(s), including applicable procedural safeguards.
- (d) Monitoring implementation of the UPI by Authorities. There may be the need to monitor implementation at the global level and identify implementation issues which hinder a harmonised approach.
- (e) Conformity assessment on the extent to which UPI-related processes (including generation, applications for UPIs, etc.) are being conducted in conformity with the UPI Technical Guidance, the UPI Data Standard, and any other standards relating to the UPI System that may prevail.
- (f) Coordinating the analysis of and response to issues relating to the UPI Data Standard (and any other standards relating to the UPI System that may prevail), UPI Technical Guidance updates and maintenance with other relevant standard-setting bodies, standards development organisations, regulators, or Authorities. This may include coordination relating to changes in or introductions of identifiers of underliers.
- (g) Receiving and considering any recommendation by a UPI Service Provider for further updates or changes to reference data or related data structures.
- (h) Considering updates to the UPI Technical Guidance and the costs and benefits of updates to the UPI Technical Guidance.

(i) Reviewing the use of the UPI by market participants, UPI Service Providers and relevant Authorities.

(j) Processing requests for information and providing clarification on the UPI Technical Guidance.

(k) Maintenance of technical aspects of the UPI Data Standard (and any other standards relating to the UPI System that may prevail) as an International Data Standard.

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

***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.***

## **6 Considerations regarding one versus many UPI Service Providers**

Different potential models (or combinations of them) to administer the UPI System could be contemplated:

- one single UPI Service Provider across all asset classes;
- one single UPI Service Provider per asset class but multiple Service Providers across the UPI System;
- multiple UPI Service Providers within an asset class;
- a number of different UPI Service Providers, each of which covers all asset classes.

Any UPI System construct adopted should be able to and must adhere to the UPI Technical Guidance and UPI Governance Arrangements.

Another related issue is whether the UPI Governance Arrangements should be such that a limited and finite number of UPI Service Providers should be identified or selected at the outset by the FSB or another competent body, or whether selection criteria alone should be established, together with a body or bodies capable of applying those selection criteria, over time, with the potential for selecting additional UPI Service Provider(s).

***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?***

## **7 Summary and next steps**

The FSB must determine Governance Arrangements for the UPI within the broader Governance Framework in which these arrangements would rest. This consultation document presents the key criteria, areas of governance, and the functions within these areas of governance for the UPI Governance Arrangements.

We welcome responses or comments on any part of this document, including any response on the questions raised herein. For convenience, these questions are collected in Annex 1 to this consultation document.

The GUUG will engage in further dialogue with the industry and other stakeholders ahead of its final recommendations on the UPI Governance Arrangements to the FSB Plenary, including through a second public consultation. The second consultation will cover additional topics as necessary to enable the GUUG to fulfil its mandate – see section 2.2 above.

The FSB invites stakeholders to provide their responses by Friday 17 November 2017 by e-mail to [fsb@fsb.org](mailto:fsb@fsb.org) with “UPI governance” in the e-mail subject line. The feedback received will be taken into account in the GUUG’s development of the UPI Governance Arrangements.

The FSB intends to convene an industry roundtable on UPI governance on 11 October 2017 in Montreal, Canada.

Unless non-publication (in part or whole) is specifically requested, all consultation responses will be published in full on the FSB’s website. An automated e-mail confidentiality claim will not suffice for these purposes.

Unless your response is wholly confidential, please provide it in a form that does not include personal identifying information you do not wish to have published, to avoid the need for redaction of such information prior to publication.

## **Annex 1 List of consultation questions**

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

- Q13. Which elements of such frameworks would be useful or not useful for the UPI Governance Arrangements and why?*
- Q14. Do you agree with the articulated areas of governance identified above?*
- 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.*
- 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?*

## **Annex 2 List of acronyms and defined terms**

Authorities	National or regional authorities
CPMI	Committee on Payments and Market Infrastructures
Data Element	<p>A general term for each of the discrete categories of information that might be reported or processed pertaining to an OTC derivatives transaction.</p> <p>In the context of the UPI, “Data Element” shall mean the UPI; or data that represents a particular instance of a UPI.</p>
Data Standard	<p>A set of characteristics or qualities that describes the features of a Data Element. A Data Standard for a given Data Element includes or may include such things as a structural definition and format specifications.</p> <p>The use of the term “standard” is not intended to denote a particular level in a hierarchy, nor does it necessarily denote the output of the work of an International Standardisation Body or Standard-Setting Body.</p>
FSB	Financial Stability Board
Governance Arrangements	Governance structures, procedures or protocols. The term encompasses only the arrangements as adopted or to be adopted by the FSB, exclusive of the broader governance framework in which these arrangements will exist.
Governance Framework	The background setting, including legal structures, in which any Governance Arrangements may rest. This broader framework includes national regulatory authorities, international and national standard-setting bodies, national and international law, and guidance.
GUUG	FSB Working Group on UTI and UPI Governance
Harmonisation Group	CPMI and IOSCO working group for harmonisation of key OTC derivatives data elements
HG	Harmonisation Group
International Data Standard	A Data Standard issued by an International Standardisation Body.
International Standardisation Body	An international body, other than a Standard-Setting Body, that promulgates standards, including data standard-setting bodies such as the ISO.
IOSCO	International Organization of Securities Commissions
ISO	International Organization for Standardization

Maintenance (with respect to UPI Technical Guidance or UPI Data Standard)	The ongoing process of revising and potentially updating UPI Technical Guidance or the UPI Data Standard
OTC	over-the-counter
Standard-Setting Body	A grouping or body of Authorities (with or without observers that are not Authorities), that is responsible for issuing standards or recommendations for the guidance of Authorities, market participants and/or other addressees, for example, the CPMI or IOSCO.
TR	Trade Repository (as defined)
Trade Repository	<p>a) An entity that maintains a centralised electronic record (database) of transaction data and is authorised to receive reports about transactions and make this information available to authorities as appropriate; or</p> <p>b) an entity, facility, service, utility, government authority, etc. that is not established as an authorised trade repository but that maintains a centralised electronic record (database) of transaction data and is used by market participants to report transaction data, or provides TR-like services.</p>
UPI	Unique Product Identifier, a Data Element that will identify the product type for an OTC Derivative (see definition of Data Element above)
UPI Code	A unique set of characters that represents a particular OTC derivative product
UPI Data Standard	The Data Standard for the UPI, including the structure and format (see definition of Data Standard above)
UPI Governance Arrangements	Governance Arrangements for the UPI
UPI Reference Data Elements	Data Elements contained in the UPI Reference Data Library
UPI Reference Data Library	A data library that contains UPI Reference Data Elements that, in combination, identify and describe the characteristics of an instrument and underlier for an OTC derivative product; for a given OTC derivative product, a given set of values for the Data Elements in the UPI Reference Data Library will map to a unique value for the UPI Code, thus creating a product identification for the OTC derivative product. In this way, the UPI Reference Data Library will help to classify OTC derivatives by product type.

UPI Service Provider	Any entity, other than an Authority, Standard-Setting Body or International Standardisation Body, that performs functions with regards to the generation, issuance, or retention of UPIs
UPI System	The UPI Data Standard, the UPI Reference Data Library, and the process of assigning a UPI Code to a set of UPI Reference Data Elements
UPI Technical Guidance	The contents of the reports (issued in the first instance by the CPMI jointly with IOSCO) setting out regulatory guidance on the UPI Data Standard, and which may contain material other than Data Standards, such as recommendations on associated matters, or commentary on Data Standards or associated matters
UTI	Unique Transaction Identifier

## **Annex 3 Members of the Working Group on UTI / UPI Governance**

as at date of publication

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<b>Observer</b>	<b>Marc Bayle</b> Co-chair of the CPMI-IOSCO Harmonisation Group (Director General, Market Infrastructure and Payments, ECB)
<b>FSB</b>	<b>Laurence White</b> Member of Secretariat