

**Proposed governance arrangements for the  
unique transaction identifier (UTI)**

**Consultation document**

13 March 2017

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# 1 Overview

The Financial Stability Board (FSB) seeks public comment on possible governance arrangements for the Unique Transaction Identifier (UTI), a key data element for reporting over-the-counter (OTC) derivative transactions (although the UTI could also be used for the reporting of other financial transactions). See Annex 1 (consultation questions).

The primary purpose of a UTI is to uniquely identify individual financial transactions on reports to Trade Repositories (TRs). The UTI 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 UTI will help to ensure the consistent aggregation of OTC derivatives transactions by minimising the likelihood that the same transaction will be counted more than once.

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 February 2017, the CPMI and IOSCO issued the UTI Technical Guidance, setting out the UTI Data Standard relating to the UTI, which contains a structural definition and a format specification. The UTI Technical Guidance also addresses associated matters such as the circumstances in which a UTI should be used, who should be responsible for generating a UTI and the impact of lifecycle events on the UTI.<sup>2</sup>

There are several features of the UTI Technical Guidance which have implications for governance. The UTI Technical Guidance contemplates that the UTI will be generated in a decentralised fashion by a wide range of entities. In addition, there likely will not be a need for a central registry for such entities.

The UTI Data Standard constructs the UTI from the Legal Entity Identifier (LEI, International Organisation for Standardization (ISO) 17442:2012) of the entity generating the UTI combined with a unique value created by that generating entity. Given this data structure, some general regulatory concerns about governance of a data standard may not be present in the case of UTI. For example, governance issues regarding the LEI are separate and are already being addressed through the international governance arrangements for the LEI. These arrangements include governance of the LEI through the LEI Regulatory Oversight Committee and the Global Legal Entity Identifier System and maintenance of the LEI data standard through the ISO.

As discussed in this document, the FSB is issuing certain proposals and options for UTI Governance Arrangements for public comment. This consultation document has been prepared by the FSB's Working Group on UTI and Unique Product Identifier (UPI) Governance (GUUG). See Annex 3 (GUUG members). After the consultation, and taking into account the received contributions, the GUUG expects to prepare final recommendations on UTI Governance Arrangements for adoption by the FSB later in 2017.

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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 [http://www.fsb.org/2014/09/pr\\_140919/](http://www.fsb.org/2014/09/pr_140919/).

<sup>2</sup> Available at <https://www.bis.org/cpmi/publ/d158.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD557.pdf>.

## 2 Background

### 2.1 *FSB OTC derivatives data Aggregation Feasibility Study*

Different jurisdictions require the reporting of OTC derivatives to different TRs. Moreover, some jurisdictions allow for more than one TR. The set of OTC derivatives reports is therefore distributed across a number of TRs. Aggregation of the data being reported to TRs can help to ensure that 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 trade reporting data.<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 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 global guidance on harmonisation of data elements that are reported to trade repositories 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 a working group for the harmonisation of key OTC derivatives data elements (Harmonisation Group or HG) in November 2014 to prepare technical guidance on relevant data elements, including the UTI and UPI.

### 2.2 *Mandate of the FSB GUUG*

In March 2016, the FSB established the GUUG with the primary objective to propose to the FSB's decision-making body, the FSB Plenary, recommended Governance Arrangements for each of the UTI and UPI that fulfils identified functional needs and meets relevant criteria. In order to fulfil this objective, the GUUG will, 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 for the UPI.

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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: [http://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).

In doing so the GUUG is to consult with the HG, 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.

### ***2.3 Present consultation***

In this document, the GUUG is consulting only on UTI Governance Arrangements, as the UTI Technical Guidance is now finalised. The GUUG plans to publish a consultative document on UPI Governance Arrangements after the CPMI and IOSCO publish their final UPI Technical Guidance, based on a proposal provided by the HG. The UPI Technical Guidance is currently expected to be published in the second quarter of 2017.

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

The purpose of this consultation document is to seek the views of stakeholders on the proposed UTI Governance Arrangements.

The structure of this document is as follows:

- Section 3 describes the characteristics of the globally harmonised UTI and the contents of the CPMI and IOSCO UTI Technical Guidance that are relevant to governance considerations;
- Section 4 sets out key criteria the FSB has identified and intends to use to assess UTI Governance Arrangements;
- Section 5 outlines the potential governance functions the FSB anticipates should be performed and groups them into three general areas of governance;
- Section 6 discusses possible governance options for the three different areas of UTI governance; and
- Section 7 concludes and outlines the next steps in this consultation process.

To help respondents in structuring their feedback, questions are set forth at the end of 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 UTI Governance Arrangements.

## **3 The UTI**

The UTI is intended to identify individual OTC derivative transactions to be reported to TRs and to meet the needs of the authorities that use the data from TRs, facilitating in particular the consistent global aggregation of OTC derivatives transactions by minimising the likelihood that the same transaction will be counted more than once.<sup>5</sup> The UTI Technical Guidance covers:

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<sup>5</sup> The UTI Technical Guidance identifies 12 characteristics of UTIs, of which uniqueness and consistency are two.

- the circumstances in which a UTI should be used, ie for reportable transactions that have not previously been allocated a UTI;
- the impact of lifecycle events on the UTI, through setting out principles that provide guidance on when a lifecycle event should or should not cause a new UTI to be used;
- which entity (or entities) should be responsible for generating UTIs, with the aim of ensuring that there is a well-defined entity responsible for UTI generation for every transaction while respecting the different nature of transactions and providing flexibility;
- when UTIs should be generated, considering the reporting time scales imposed by different jurisdictions; and
- the UTI Data Standard, including the UTI's structure and format, ie, how a UTI should be constructed, its length, and which characters should be used in its construction.

The UTI Technical Guidance is provided to Authorities. It does not cover UTI Governance Arrangements and expressly notes that UTI governance is the subject of further work by the FSB. Governance Arrangements for UTI should be considered with a thorough understanding of the intended use, structure and representation in the UTI as described in the UTI Technical Guidance.

*Reportable transactions.* The UTI Technical Guidance explains that a UTI is needed when a transaction is required to be reported under the rules of a jurisdiction irrespective of whether another relevant jurisdiction (eg, that of the other counterparty) also requires the transaction to be reported. Where more than one jurisdiction requires reporting of a particular transaction, then the same UTI should be used on any such reports. Where individual components of a package or strategy trade are reported separately, a different UTI should be used for each component (the issue of whether there should be a way of linking the components is not handled by the UTI).

*Lifecycle events.* The UTI Technical Guidance explains that when a UTI is allocated to a reportable transaction, it should remain as the identifier for that transaction throughout its life. When a transaction is terminated and replaced with one or more other transactions, new UTIs should be used.<sup>6</sup>

*Responsibility for generation of the UTI.* The UTI Technical Guidance proposes a UTI generation hierarchy that is based upon the details of the particular transaction needing a UTI. Authorities are recommended to consider these facts about the transaction in establishing their rules regarding who has the responsibility for generation.

*Timing of UTI generation.* The UTI Technical Guidance explains that UTIs should be generated in time for reporting. There should be recognition that an entity that is required to report (using the UTI) may not be the same entity responsible for generating the UTI. Entities generating UTIs should share them with other entities that require them in a timely manner.

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<sup>6</sup> The UTI Technical Guidance does not attempt to create a taxonomy of all event types and determine whether a new UTI should be required in consequence of an event; this is left for individual authorities to do in their rules if they see fit.

*UTI structure.* The UTI Technical Guidance explains that Authorities' rules should ensure that new UTIs are structured as a concatenated combination of the LEI of the generating entity at the point of generation and a unique value created by that entity (where this value only needs to be unique within the set of such values generated by that entity since the combination with the LEI will guarantee global uniqueness). If generation of the UTI has been delegated, the generating entity for the purpose of determining the LEI to be embedded in the UTI should be the entity that actually generates the UTI and not the entity that delegated the generation. There should be no requirement to update a UTI solely because the LEI of the generating entity is no longer valid or applicable for some reason.

*UTI format.* The UTI Technical Guidance proposes that Authorities should require that new UTIs have a maximum of 52 characters but allow shorter UTIs. Authorities should require that new UTIs be constructed solely from the upper-case alphabetic characters A–Z or the digits 0–9, inclusive in both cases. Authorities should recognise that UTIs created before the implementation of this Technical Guidance may not conform to this character set (or other elements of the UTI Technical Guidance), and should not require these to be re-reported.

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

In order to select the most appropriate UTI Governance Arrangements there is a need to set out key criteria for evaluating different possible options. This section sets forth the key criteria and includes, as appropriate, a rationale.

Without prejudice to the key criteria presented below and the assessment of possible Governance Arrangements against those criteria, the UTI's nature and function as well as the UTI Technical Guidance suggest that the UTI could be supported by simple Governance Arrangements. Consistent with the rationales provided below and with due consideration given to the UTI Technical Guidance and the nature of the UTI Data Standard, the FSB has identified the following key criteria guiding the choice of Governance Arrangements.

### **4.1 Public interest**

Governance should be driven by public and regulatory interest.

*Rationale:* The development of harmonised identifiers such as the UTI is driven by the need to uniquely and consistently identify transactions.

### **4.2 Lean**

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

*Rationale:* Implementation of harmonised identifiers such as the UTI at a global scale may require investments from stakeholders. To maximise the benefits and minimise the costs and burdens associated with the use of the UTI and to help ensure the efficiency and transparency of the Governance Arrangements, the UTI Governance Arrangements should avoid unnecessary complexity and should take due account of existing resources and arrangements.

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

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

*Rationale:* Frequent changes are not only costly to implement but could also make it difficult to preserve the integrity and uniform implementation of the UTI Technical Guidance and UTI Data Standard.

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

Changes to the UTI Governance Arrangements, UTI Technical Guidance, and UTI Data Standard should allow for direct or indirect involvement of stakeholders and should be made after public consultation where appropriate.

*Rationale:* A key prerequisite of any UTI Governance Arrangements should be transparency, implying fair involvement of stakeholders in any such arrangements. This will help to ensure stakeholder awareness and support as well as widespread usage of the UTI.

### ***4.5 Economic sustainability***

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

### ***4.6 Open access***

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.

### ***4.7 Intellectual property***

The UTI Data Standard shall not be subject to any intellectual property restriction, and any created intellectual property shall be treated in a manner consistent with open source principles and as a public good. Consistent with this, use of and access to the UTI and UTI Data Standard shall be free of licensing restrictions.

*Rationale:* In order to help ensure that the UTI Data Standard is effectively a public good, there should not be any unreasonable restrictions on its usage.

### ***4.8 Conflicts of interest***

Access to the UTI shall not be tied or bundled with any other services offered by a Service Provider.

*Rationale:* Consistent with the criteria of economic sustainability, public interest and open access (described above) and the goal to maximise market adoption, the UTI should not be captured by commercial interests. This does not exclude the participation or contribution of profit-oriented entities in the UTI Governance Arrangement, provided that this criterion is respected.

#### **4.9 Fit for purpose**

UTI Governance Arrangements should be able to perform the relevant functions (including functions relating to data standard determination and implementation) identified in a timely and efficient manner and should have reasonable access to the necessary resources and information to do this.

*Rationale:* In the event that the UTI Governance Arrangements require not only high-level standard-setting but also some operational activities, the market will be dependent on services attached to this Data Standard.

- Q1.** *Do you consider any further criteria should be included in the above list?*
- Q2.** *Are there any criteria in the list that you do not consider relevant to UTI Governance Arrangements?*
- Q3.** *Are there ways in which any of the key criteria should be modified?*
- Q4.** *Do you have any suggestions on how the criteria should be applied?*

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

In order to reflect on the UTI Governance Arrangements that would meet the key criteria listed above, there is a need to identify areas of governance for the UTI and the functions to be performed by either the UTI Governance Arrangements or the broader Governance Framework in which the UTI Governance Arrangements would be implemented. This broader Governance Framework includes Authorities, International Standardisation Bodies or Standard-Setting Bodies, and other public or private entities.

Consistent with the UTI Technical Guidance, UTIs will be generated and assigned to transactions by entities (eg, counterparties to derivatives transactions or certain market infrastructures) that are associated with each given transaction. This suggests that the Governance Framework can be considered to have three general areas.

**AREA 1:** Overseeing the UTI Data Standard, including the operation of the UTI Data Standard and its structure and format, ie, how a UTI should be constructed, its length, and which characters should be used in its construction.

**AREA 2:** Implementing the UTI Technical Guidance and dealing with operational and implementation issues.

**AREA 3:** Coordinating among authorities, helping to ensure consistent application of technical guidance (eg, uniqueness) across jurisdictions, and updating the UTI Technical Guidance as necessary.

Each of the specific functions of governance described below falls within one of these areas of governance.

### **5.1 Functions related to Area 1, overseeing the UTI Data Standard**

**5.1.1** *Overseeing and maintaining the UTI Data Standard to keep it fit for purpose.* As with other Data Elements relevant for OTC derivatives reporting, it will be necessary to have the structure and format of the UTI Data Standard maintained.

## **5.2 Functions related to Area 2, implementing the UTI Technical Guidance**

The UTI Technical Guidance sets out regulatory guidance for the UTI Data Standard, and contains material other than the UTI Data Standard, including recommendations on associated matters such as who should generate a UTI, what lifecycle events should be associated with a new UTI, and commentary on the UTI Data Standards and associated matters. Rendering this guidance operational and conducting implementation work with stakeholders on operations forms the core of Area 2 governance functions:

F.2.1 *Disseminating UTI Technical Guidance.* The UTI Technical Guidance, as addressed to Authorities, shall be disseminated to facilitate its broad application.

F.2.2 *Processing requests for information and providing clarification and guidance on workflow issues, reflecting changing needs of relevant stakeholders.*<sup>7</sup>

F.2.3 *Communicating* with relevant stakeholders about the UTI for educational or promotional purposes.

F.2.4 *Conformity assessment* on the extent to which UTI-related processes (including generation, applications for UTIs, etc.) are being conducted in conformity with the UTI Technical Guidance and the UTI Data Standard.

F.2.5 *Coordination.* Helping to ensure the key criteria for the governance mechanism remain fulfilled, and for that purpose coordinating with relevant actors and stakeholders as required.

## **5.3 Functions related to Area 3, coordinating among Authorities and updating the UTI Technical Guidance as necessary**

The related governance functions for Area 3 may include:

F.3.1 *Determining and/or recommending* how the UTI Technical Guidance should be implemented by Authorities, including timing aspects.

F.3.2 *Monitoring implementation of the UTI by Authorities.* There may be the need to monitor implementation at the global level and identify implementation issues which hinder a harmonised approach.

F.3.3 *Updating the UTI Technical Guidance.* Although the UTI Technical Guidance (by its nature) is not expected to change frequently, over the longer term there may be a need to update the guidance and consider benefits and costs of such updates.

F.3.4 *Coordinating* the analysis of and response to issues relating to the UTI Technical Guidance or its maintenance with other relevant Standard-Setting Bodies, International Standardisation Bodies, or Authorities.<sup>8</sup>

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

**Q6. Can you suggest any other functions that should be included in the above list?**

**Q7. Are there functions in the list which are not relevant for the UTI in your view?**

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<sup>7</sup> Such issues may include workflow issues such as who should generate a UTI, when the UTI should be generated, etc.

<sup>8</sup> See Annex 2 (terminology).

## 6 A proposed allocation of UTI governance functions within the three areas of governance based on the key criteria

Considering the UTI Technical Guidance, the key criteria and the functions identified for the UTI Governance Framework, the FSB has identified four possible governance options for the three areas of governance. Different options (or combination of options) could be considered for each of the governance areas.

**Option A: Authorities** Authorities can exercise various governance functions within their various existing mandates.

**Option B: The CPMI and IOSCO or a body set up by them** The CPMI and IOSCO could take on this task directly or readily set up such a group, having already the expertise gathered in the HG.

**Option C: A technical committee or similar under the FSB** An entity could be mandated by the FSB to oversee, coordinate and maintain the UTI as a global identifier. This could be a new entity or could possibly build on an existing one such as the governance arrangements for the LEI.

**Option D: An International Standardisation Body** An International Standardisation Body may have the expertise, resources, and infrastructure to maintain UTI Data Standards and perform related tasks.

### **6.1 Proposed Governance Arrangements for Area 1, overseeing the UTI Data Standard, limited to the operation of the code structure and format.**

#### *A.1.1 Overseeing and Maintaining the UTI Data Standard to keep it fit for purpose.*

In this particular context, the function is understood to be limited to overseeing the UTI code's structure and format. In other words, this is and will remain a very technical function, which involves translating the UTI Data Standard into technical specifications consisting of a "mint" represented by the LEI code of the generating entity and a "value" generated by the entity that can be used in electronic messaging systems. Furthermore, it involves purely technical updates to the code structure and format when necessary. Any policy considerations related to the UTI including such things as the requirement to use the LEI as part of the UTI, will necessarily remain outside the realm of this Area 1 governance function and form part of any governance structure described below for Area 3. The FSB believes that having centralised management of the UTI Data Standard's structure and format would help to ensure uniform and consistent application of the UTI Data Standard.

The function could be undertaken by the CPMI and IOSCO, the FSB or another group of authorities (or any subset of such groups). Because the function is and will remain entirely technical in nature, it could also be performed by an International Standardisation Body.

Determining UTI Governance Arrangements for Area 1 requires consideration of two separate issues:

(1) Whether having the CPMI and IOSCO, the FSB or another group of international regulators or subset of any of those groups undertake the technical function is desirable, or whether having the UTI Data Standard adopted as an International Data Standard is desirable; and

(2) If the UTI Data Standard is to be adopted as an International Data Standard, whether ISO is the preferred candidate for the establishment and maintenance of the UTI Data Standard structure and format as an International Data Standard; or whether some more suitable alternative to ISO exists. These issues are further explored below. Comments are welcome on the FSB's preliminary reasoning.

*(1) Retaining the function in the CPMI and IOSCO, the FSB or another group (or subset of any of those groups) of regulators and authorities or having the UTI Data Standard adopted as an International Data Standard:*

The CPMI and IOSCO drafted and disseminated the UTI Technical Guidance and could finish the project by translating the UTI Data Standard into the necessary technical specifications. The CPMI and IOSCO could determine when assessment updates are necessary and revise the UTI Data Standard technical specifications when appropriate and necessary. As the drafters, the members of the CPMI and IOSCO best understand the purpose and policy considerations that support the UTI Data Standard and the rest of the UTI Technical Guidance, and would quickly recognise if and when the technical specifications diverge from its intended purpose, as well as when the technical specifications are not in line with other policy considerations.

The FSB, however, preliminarily believes that, although members of any of the groups noted above may have the technical capability to perform this function, developing technical specifications for trade data and creating and updating technical specifications is not the primary purpose or skill set of these existing groups. In addition, given that the function is and shall remain technical, policy concerns where authorities like the FSB, the CPMI or IOSCO would want to have an input into any changes are unlikely to arise.

An International Standardisation Body would be able to draft the underlying technical specifications for the UTI Data Standard as happens for similar data standards such as that for the LEI. This would potentially facilitate the inclusion of the UTI Data Standard into standardised messages, thus helping to enable industry participants to programme the UTI Data Standard into electronic messaging systems, a practice which encourages broad adoption and enhances data quality. Such bodies have as their primary purpose and skill set drafting technical specifications. The function is entirely technical in nature and would benefit from the experience and skills that reside within an International Standardisation Body. In addition, the work of such bodies is recognised as international standards and therefore widespread dissemination and acceptance of a uniform standard is more likely than would be without their assistance. Finally, other messages that could contain a UTI may themselves be subject to a standard of an International Standardisation Body. Consistency with such standards will make generation and sharing of messages more efficient.

Current governance structures of International Standardisation Bodies do not permit regulatory authorities to have full control on data standards work, but only allow for an indirect or limited influence from regulatory authorities. Involvement with the UTI Data Standard would have to be conditioned on regulatory Authorities' retaining control over regulatory and policy aspects

of the UTI. The assumption that such an arrangement can be worked out with any International Standardisation Body is important to the FSB's recommendation.

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

**Q9. Do you see any other disadvantages to seeking UTI's adoption as an International Data Standard?**

(2) *If the UTI Data Standard is to be adopted as an International Data Standard, whether ISO is a preferred candidate for the maintenance of the UTI Data Standard structure and format in an International Data Standard and whether there are suitable alternatives to ISO:*

Within the financial services space, ISO's ability to develop technical specifications and their resulting International Data Standards is well-documented.

With regard to the UTI Data Standard, using ISO for this work appears to be a natural fit for the UTI, given its structure and design, for several reasons. The UTI's composition includes the LEI, so maintenance of its structure and format is already based in part on ISO's work on the LEI Data Standard. Moreover, ISO's development of technical specifications and an International Data Standard is unlikely to interfere with regulatory prerogatives of FSB, CPMI, or IOSCO members. Many of the general intellectual property concerns or governance concerns about the LEI component of the UTI Data Standard are already being handled by the extant governance system for the LEI. The proposed UTI's structure, as a composite of the LEI combined with a unique value created by that generating entity, does not introduce substantially new or difficult issues regarding intellectual property that would warrant an elaborate governance arrangement.

It is not anticipated that there will be frequent demand for ongoing changes in the data structure of the UTI Data Standard, given UTI's function and purpose. ISO has long experience in maintaining Data Standards and, as the LEI experience indicates, has historically been flexible on permitting financial regulators to be involved in regulatory governance work as the registration agent for financial Data Standards. UTI's entry into the ISO lexicon, including ISO's universal financial industry message scheme, ISO 20022, would make the UTI generally available for other purposes than OTC derivatives. This too would enhance its acceptance and use by industry, an important goal to ensuring reliable and widespread use of UTI as a global standard.

ISO has experience in actively managing the technical aspects of data standards maintenance for regulatory standards, including technical specification work to translate a regulatory standard into a Data Standard. The FSB understands that such technical work is necessary to create a common understanding for communication by various industry participants using different computer programming languages and protocols. This common basis for communication helps to ensure data quality, for the benefit of stakeholders, including Authorities.

ISO maintains a significant presence within the financial services community. ISO International Data Standards are developed by groups of experts from all over the world that are part of larger groups called technical committees. These experts negotiate all aspects of the standard, including its scope, key definitions and content. Although in this case CPMI-IOSCO has already defined the UTI Data Standard via the UTI Technical Guidance, this financial

services expertise would seem to be valuable in developing technical specifications and an International Data Standard.

However, the current governance structure of ISO only allows for an indirect or limited influence from regulatory authorities, with no full control on the decisions of ISO. In addition, not all regulators and authorities that have an interest in the UTI are members or even observers of ISO or the relevant ISO committees. Alternatives to ISO exist; examples include the Object Management Group (OMG). OMG is an international, open membership, not for profit standards consortium. OMG's focus is on the development of enterprise integration modelling standards. Relevant financial standardisation activities promoted with OMG include the Financial Industry Business Ontology (FIBO) and the Financial Instrument Global Identifier (FIGI). Both of these standards are maintained by the OMG Finance Domain Task Force.

However, it is the FSB's understanding that ISO has greater depth in the financial services industry. OMG does maintain liaison relationships with ISO allowing the promulgation of each body's standards to be recognised as International Data Standards.

Based on the explanations noted above, the FSB preliminarily believes that ISO is the best candidate to oversee and maintain the UTI Data Standard for Area 1 governance.

***Q10. Do you agree with this analysis? Or if not, how would you amend it or what alternatives would you suggest?***

***Q11. 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?***

***Q12. 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?***

***Q13. (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?***

## ***6.2 Proposed Governance Arrangements for Area 2, implementing the UTI Technical Guidance***

For each of the functions under Area 2, for the reasons set forth below, the FSB proposes that UTI Governance Arrangements for those functions be addressed through Option A, Authorities.

### ***A.2.1 Disseminating UTI Technical Guidance.***

The UTI Technical Guidance will be published and disseminated by the CPMI and IOSCO. Authorities may issue rules and guidance as necessary.

### ***A.2.2 Processing requests for information and providing clarification and guidance on workflow issues, reflecting changing needs of relevant stakeholders.***

The Technical Guidance is addressed to Authorities. Processing of requests for guidance and clarification on oversight is best performed by Authorities in the course of enforcement of their regulations and exercise of their supervisory and oversight powers.

*A.2.3 Communicating with relevant stakeholders about the UTI for educational or promotional purposes.*

Authorities have a vested interest in stakeholder compliance with new rules and guidance. Outreach and educational activities on the UTI could be done or supported at two levels:

- (i) at the global level support (if necessary in addition to the UTI Technical Guidance) could be provided by the CPMI and IOSCO, and/or a distinct governance structure mandated by the FSB; and/or
- (ii) at the local (jurisdictional) level, work that could be done by or coordinated by the competent public regulatory authorities as needed.

*A.2.4 Conformity assessment on the extent to which UTI-related processes (including generation, applications for UTIs, etc.) are being conducted in conformity with the UTI Technical Guidance and the UTI Data Standard.*

Authorities are best-positioned to do this assessment, at least in the absence of a global aggregation mechanism, since this function covers assessing the conformity by stakeholders to applicable national requirements.

*A.2.5 Coordination: Helping to ensure the key criteria for the governance mechanism remain fulfilled, and for that purpose coordinating with relevant actors and stakeholders as required.*

Because UTIs will be issued in a decentralised manner and because Authorities have a greater degree of direct regulatory oversight over the generating entities and other stakeholders than any other entity, Authorities are best positioned to perform this function.

On the other hand, although this is currently not expected, it is possible that UTI Governance Arrangements which fulfilled the key criteria at their inception might diverge from (some of) these over time. In such a case there may be a need to adapt the Governance Arrangements. At the global level, the FSB or the CPMI and IOSCO could take responsibility for helping to ensure that the UTI Governance Arrangements (in the context of the broader governance framework relevant for the UTI) keep fulfilling the key criteria.

***Q14. Do you agree with these analyses supporting the proposed allocation of functions to Authorities, A.2.1 through A.2.5 above?***

***Q15. 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?***

***Q16. 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?***

***Q17. 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?***

### **6.3 Governance options for Area 3, coordinating among authorities and updating UTI Technical Guidance as necessary**

For the governance options in Area 3, the FSB does not yet have a preferred option with regards to suitable governance arrangements for these functions. Comments are welcome on which of the four governance options A, B, C, and D listed above – or an entirely different governance option – would be suitable for each of these four governance functions.

*A.3.1 Determining and/or recommending how the UTI Technical Guidance should be implemented by Authorities, including timing aspects.*

It is anticipated that Authorities will consider the UTI Technical Guidance when implementing the UTI in their own jurisdictions. However, there may be a demand for global interaction and coordination among Authorities to assist in efficient and accurate implementation.

At the global level, the FSB may issue guidance or recommendations to Authorities on implementation of the Governance Arrangements.

Implementation of the UTI Governance Arrangements and of the UTI Technical Guidance should be closely coordinated.

**Q18. 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?**

*A.3.2 Monitoring implementation of the UTI Technical Guidance by Authorities. There may be the need to monitor implementation at the global level and identify implementation issues which hinder a harmonised approach.*

Given the simple nature of the UTI and the possibility of the adoption of an ISO Data Standard for the UTI, Authorities may wish to wait and see whether it is necessary and cost-effective to create a new governance structure to monitor implementation at this time. Alternatively, it may be efficient to have CPMI and/or IOSCO or another body (eg, through the FSB's Implementation Monitoring Network) mandated by the FSB to monitor on-going implementation by regulatory authorities and highlight relevant implementation issues. Finally, although the FSB is disinclined to endorse such an approach, a separate body (eg, a separate group under the FSB) could be created specifically for UTI governance matters, whereby such a body could monitor implementation of the UTI by Authorities.

**Q19. In your view, should the monitoring of implementation of the UTI be performed by Authorities or by another body?**

**Q20. 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?**

*A.3.3 Updating the UTI Technical Guidance: Although the UTI Technical Guidance (by its nature) is not expected to change frequently, over the longer term there may be a need to update the guidance and consider costs and benefits of these updates.*

At the global level, the responsibility for maintaining the UTI Technical Guidance after initial publication could be assigned to a body created by or designated by the FSB or the CPMI and IOSCO. At the global level this would cover the maintenance of functions previously identified

(processing requests for information, F.2.2, and coordinating the analysis and response to potential issues arising in F.2.3, F.2.4, and F.2.5). Such maintenance activity would be based on feedback and input from the regulatory authorities.

Recognising that, by its nature, the UTI Technical Guidance should not need a frequent review, this could occur only in case of need, eg, regulatory authorities requesting that the CPMI and IOSCO create a temporary technical working group if the regulatory authorities perceive such a need.

A separate body, formed under the FSB, could be convened to meet, when and as needed, to consider updates to UTI Technical Guidance, including costs and benefits of such updates, and submit a corresponding proposal to the FSB Plenary.

At the national or jurisdictional level it would naturally remain the prerogative of the competent national and regulatory authorities to provide guidance, clarification or seek input from stakeholders regarding the applicable national and local requirements. National and local Authorities will also identify and analyse any issues related to the UTI Technical Guidance in practice. This may be based in part on concerns raised by market participants required to comply with multiple jurisdictions' regulations.

***Q21. 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?***

*A.3.4 Coordinating the analysis of and response to issues relating to the UTI Technical Guidance or its maintenance with other relevant Standard-Setting Bodies, International Standards Bodies, or Authorities.*

The question here is whether there is an immediate need to create an international regulatory structure to do this coordination in the long term or whether short-term implementation work by the GUUG or the HG could perform this function. While some regulatory standards may need dedicated and permanent coordination, the straightforward nature of the UTI might not warrant an extensive coordination process.

***Q22. In your view is there an immediate need for an international coordinating body? Please share your views on this point.***

## **7 Summary and next steps**

The FSB must determine Governance Arrangements for the UTI 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, and identifies preferred approaches and/or potential options to governance within each area of governance for the UTI Governance Arrangements.

The allocation proposals in this consultation document take into account the broader Governance Framework. In particular, the FSB proposal for Area 1 takes into account the fact that the LEI value within the UTI is already subject to international governance through the LEI system and as such (at least indirectly) the UTI Governance Framework would also rely on ISO given that the LEI is defined in an ISO Data Standard.

This FSB proposal for Area 2 takes into account the decentralised nature of generation and the pre-existing LEI governance, both of which indicate that a lean governance system may be warranted for the UTI in which existing national and regional authorities can perform many of the needed governance functions.

The FSB contemplates, for Area 3, that UTI Governance Arrangements could build upon existing global fora, where regulatory authorities could discuss, agree and coordinate on any functions necessary at the global level while individually performing related functions at the national level. Comments are most welcome on the appropriate vehicle for any such international coordination.

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 FSB invites stakeholders to provide their responses by Friday, 5 May 2017 by e-mail to [fsb@fsb.org](mailto:fsb@fsb.org) with “UTI governance comment” in the e-mail subject line. The feedback received will be taken into account in the final GUUG’s proposal to the FSB. The FSB intends to have an industry roundtable on UTI governance on 25 April 2017 in Amsterdam. Depending on the feedback received the FSB may engage in further dialogue with the industry and other stakeholders ahead of its final decision on UTI governance.

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**

### ***Questions for stakeholders on the criteria***

- Q1. Do you consider any further criteria should be included in the above list?
- Q2. Are there any criteria in the list that you do not consider relevant to UTI Governance Arrangements?
- Q3. Are there ways in which any of the key criteria should be modified?
- Q4. Do you have any suggestions on how the criteria should be applied?

### ***Questions for stakeholders on the areas of governance and associated functions***

- Q5. Can you suggest any refinements or additions to the articulated areas of governance?
- Q6. Can you suggest any other functions that should be included in the above list?
- Q7. Are there functions in the list which are not relevant for the UTI in your view?

### ***Questions for stakeholders on maintaining the UTI and keeping it fit for purpose by having the UTI Data Standard adopted as an International Data Standard***

- Q8. Do you agree with this analysis? If not, how would you amend it?
- Q9. Do you see any other disadvantages to seeking UTI's adoption as an International Data Standard?

### ***Questions for stakeholders on whether, if the UTI Data Standard is to be adopted as an International Data Standard, ISO is a preferred candidate for the maintenance of the UTI Data Standard and whether there are suitable alternatives to ISO.***

- Q10. Do you agree with this analysis? Or if not, how would you amend it or what alternatives would you suggest?
- Q11. 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?
- Q12. 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?
- Q13. (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?

### ***Questions for stakeholders on proposed Governance Arrangements for Area 2, implementing the UTI Technical Guidance***

- Q14. Do you agree with these analyses supporting the proposed allocation of functions to Authorities, A.2.1 through A.2.5 above?
- Q15. 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?

- Q16. Do you perceive ways in which any of the proposed allocation of governance functions might vary from key criteria? If so, how and why?
- Q17. 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?

***Questions for stakeholders on governance options for Area 3, coordinating among authorities and updating UTI Technical Guidance as necessary***

- Q18. 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?
- Q19. In your view, should the monitoring of implementation of the UTI be performed by Authorities or by another body?
- Q20. 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?
- Q21. 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?
- Q22. In your view is there an immediate need for an international coordinating body? Please share your views on this point.

## **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 discreet categories of information that might be reported or processed pertaining to an OTC derivatives transaction</p> <p>In the context of the UTI, ‘Data Element’ shall mean the UTI; or data that represents a particular instance of a UTI.</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
LEI	Legal Entity Identifier

LEI Data Standard	International Organization for Standardization Standard ISO 17442:2012
Maintenance (with respect to Technical Guidance or a Data Standard)	The ongoing process of revising and potentially updating Technical Guidance or a Data Standard
OTC	over-the-counter
Service Provider	Any entity, other than Authorities, Standard-Setting Body or International Standardisation Body, that performs functions with regards to the generation, issuance, or retention of UTIs
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
UPI Governance Arrangements	Governance Arrangements for the UPI
UPI Technical Guidance	The contents of the reports (to be 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
UTI Data Standard	The Data Standard relating to the UTI
UTI Governance Arrangements	Governance Arrangements for the UTI

UTI Technical  
Guidance

The contents of the reports (to be issued in the first instance by the CPMI jointly with IOSCO) setting out regulatory guidance on the UTI 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.

*Note: In the case of the UTI Data Standard, such associated matters may include who should generate a UTI, what lifecycle events should be associated with a new UTI, etc.*

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

<b>Co-chairs</b>	<b>François Laurent</b> Principal Adviser, DG Market Infrastructure and Payments European Central Bank
	<b>Eric Pan</b> Director, Office of International Affairs US Commodity Futures Trading Commission
<b>Canada</b>	<b>Sina Akbari</b> Legal Counsel, Derivatives Branch Ontario Securities Commission
<b>France</b>	<b>Philippe Guillot</b> Executive Director, Markets Directorate Autorité des marchés financiers
<b>Germany</b>	<b>Olaf Kurpiers</b> Senior Policy Officer Securities Supervision/Asset Management Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
<b>Japan</b>	<b>Daisuke Yamazaki</b> Director, Trade Reporting, Office of International Affairs Financial Services Agency
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<b>UK</b>	<b>John Tanner</b> Manager, Trade Repository Data Policy Bank of England
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Associate Director, Data Strategy and Standards  
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