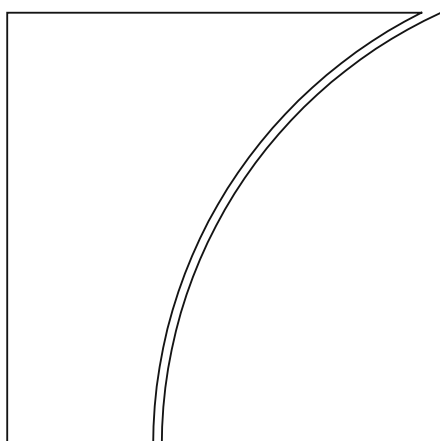


# Committee on Payments and Market Infrastructures

## Board of the International Organization of Securities Commissions

### Technical Guidance

#### Harmonisation of the Unique Transaction Identifier



February 2017



BANK FOR INTERNATIONAL SETTLEMENTS

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## Executive summary

The G20 Leaders agreed in 2009 that all over-the-counter (OTC) derivatives contracts should be reported to trade repositories (TRs) as part of their commitment to reform OTC derivatives markets in order to improve transparency, mitigate systemic risk and protect against market abuse. Aggregation of the data reported across TRs is necessary to help ensure that authorities can obtain a comprehensive view of OTC derivatives markets and activity.

This document (the Technical Guidance) provides guidance to authorities to enable them to set rules for a uniform global Unique Transaction Identifier (UTI).<sup>1</sup> A number of reports<sup>2</sup> have identified OTC derivatives elements that are critical to many aspects of regulatory work, including UTIs. The role of the UTI is to uniquely identify each OTC derivatives transaction required by authorities to be reported to TRs.

The UTI work carried out by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) aims to produce clear guidance to authorities on the definition, format and usage of the UTI that meets the needs of UTI users, and is global in scale, based on relevant ISO technical standards where applicable, and jurisdiction-agnostic.

This Technical Guidance covers:

- (i) The circumstances in which a UTI should be used, ie for reportable transactions that have not previously been allocated a UTI.
- (ii) The impact of life cycle events on the UTI, through setting out principles that provide guidance on when a life cycle event should or should not cause a new UTI to be used.
- (iii) 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.
- (iv) When UTIs should be generated, considering the reporting time scales imposed by different jurisdictions.
- (v) UTIs' structure and format, ie how they should be constructed, their length and which characters should be used in their construction.

This Technical Guidance does not address the implementation or ongoing maintenance of this Technical Guidance or the UTI data standard. These issues are expected to be addressed by the FSB and be the subject of further consultation.

<sup>1</sup> Besides this Technical Guidance, the CPMI and IOSCO continue to work towards producing technical guidance covering unique product identifiers (UPIs) and the harmonisation of critical data elements other than UTI and UPI that are essential for meaningful aggregation of data on OTC derivatives transactions on a global basis.

<sup>2</sup> The 2012 CPSS-IOSCO *Report on OTC derivatives data reporting and aggregation requirements*, the 2013 CPSS-IOSCO report *Authorities' access to trade repository data* and the 2014 FSB *Feasibility study on aggregation of OTC derivatives trade repository data*.

## 1. Introduction

### 1.1 Background

The G20 leaders agreed in 2009 that all OTC derivatives contracts should be reported to TRs, as part of their commitment to reform OTC derivatives markets in order to improve transparency, mitigate systemic risk and protect against market abuse. To date approximately 26 TRs in 16 jurisdictions are either operational or have announced that they will be. Aggregation of the data being reported across TRs is necessary to help ensure that authorities can obtain a comprehensive view of the OTC derivatives market and activity.

In September 2014, the Financial Stability Board (FSB) published a study of the feasibility of options for a mechanism to produce and share global aggregated data (Aggregation Feasibility Study). One of the Aggregation Feasibility Study's conclusions was that "it is critical for any aggregation option that the work on standardisation and harmonisation of important data elements be completed, in particular through the global introduction of the Legal Entity Identifier (LEI), and the creation of a UTI and UPI".

The FSB asked the CPMI and IOSCO to develop global guidance on the harmonisation of data elements which are reported to TRs and important for the aggregation of data by authorities. The FSB also said it would 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. In November 2014, CPMI-IOSCO established a working group for the harmonisation of key OTC derivatives data elements (Harmonisation Group) to develop such guidance, including for UTIs and UPIs.

The Harmonisation Group's mandate is to develop guidance regarding the definition, format and usage of key OTC derivatives data elements, including UTIs and UPIs. In doing so, the Harmonisation Group takes into account other relevant data harmonisation efforts and encourages the use of internationally agreed global standards for reporting financial transaction data, such as relevant standards developed by the International Organization for Standardisation (ISO), including the Legal Entity Identifier (LEI).

The responsibility for issuing requirements for the reporting of OTC derivatives transactions to TRs falls within the remit of the relevant authorities. The mandate of the Harmonisation Group does not include addressing issues that are planned or are already covered by other international workstreams, such as the legal, regulatory and technological issues related to the implementation of a global aggregation mechanism, or the governance and legal issues related to the UTI and UPI.

The CPMI and IOSCO issued a consultative report on proposals and options for guidance on UTIs in August 2015 (UTI Consultative Report).<sup>3</sup> Written submissions in response to the UTI Consultative Report are available at [www.bis.org/cpmi/publ/comments/d131/overview.htm](http://www.bis.org/cpmi/publ/comments/d131/overview.htm) and [www.iosco.org/publications/?subsection=public\\_reports](http://www.iosco.org/publications/?subsection=public_reports). In addition, the Harmonisation Group held workshops with stakeholders<sup>4</sup> to discuss the UTI (and other items) on 5 March 2015 (in Basel, Switzerland) and 10 February 2016 (in Washington DC). The CPMI and IOSCO are aware of private sector initiatives, including publications, regarding the UTI, and have taken those into consideration in developing this Technical Guidance.

<sup>3</sup> CPMI, *Harmonisation of the Unique Transaction Identifier – consultative report*, August 2015, [www.bis.org/cpmi/publ/d131.htm](http://www.bis.org/cpmi/publ/d131.htm) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD500.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD500.pdf).

<sup>4</sup> Stakeholders invited to the workshops included trade associations, TRs, other infrastructures, firms active in the market, standard-setting bodies and other individuals and entities that replied to any of the CPMI and IOSCO consultations resulting from the work of the Harmonisation Group.

## 1.2 UTI

This Technical Guidance addresses harmonisation and provides technical guidance to authorities regarding the UTI data element. The primary purpose of the UTI is to uniquely identify individual OTC derivatives transactions<sup>5</sup> required by authorities to be reported to TRs, in order to enable aggregation of these transactions and analysis, so that authorities can use reported information to fulfil their legal obligations and prudential requirements.

Different jurisdictions define the scope of which transactions are reportable and the modalities of reporting in different ways. Thus a transaction that is reportable in one jurisdiction may not be reportable in another jurisdiction or may have to be reported in a different way. For example:

- The definition of “OTC” varies between jurisdictions.
- Some jurisdictions require that both counterparties to a transaction report the transaction (“double-sided reporting”) while other jurisdictions require only one of the counterparties to report the transaction (“single-sided reporting”).
- Some jurisdictions permit the reporting of position data using the same format and to the same TRs as for the reporting of OTC derivatives transactions, thus effectively requiring that unique reference numbers be allocated to these position reports in the same reportable field as the UTI of an OTC derivative transaction report.

This Technical Guidance assumes that the above differences in scope will not be harmonised among jurisdictions for the time being. The term “reportable transaction” used throughout this Technical Guidance is used to cover any OTC derivatives transaction that is required to be reported to a TR.

The mandate for the CPMI and IOSCO to harmonise the UTI was for OTC derivatives only. It is possible that some authorities might wish to use a similar approach as for UTI generation for other transactions that are not OTC derivatives. The approach in this Technical Guidance is intended to be compatible with other possible uses beyond OTC derivatives; however, it was not designed with all such possible uses in mind and may not be applicable in all possible cases.

## 1.3 Purpose and structure of the UTI Technical Guidance

This Technical Guidance is intended to provide clear guidance as to UTI content and generation responsibilities that meets the needs of UTI users, and is global in scale, based on relevant ISO technical standards where applicable, and jurisdiction-agnostic.

With a view to ensuring that the UTI guidance conforms to the authorities’ identified characteristics for the UTI, enabling the global aggregation of OTC derivatives transaction data, this Technical Guidance provides guidance to authorities on:

- (i) The circumstances in which a UTI should be used
- (ii) The impact of life cycle events on the UTI
- (iii) Which entity (or entities) should be responsible for generating UTIs
- (iv) When UTIs should be generated
- (v) The UTI’s structure and format.

<sup>5</sup> Also known as a swap or security-based swap transaction in the United States.

This Technical Guidance is provided to authorities. It is not a set of rules to be followed directly by market participants.<sup>6</sup> Market participants would instead follow any rules for the UTI of the applicable reporting regime.

The governance for the UTI is the subject of further work by the FSB and is not covered in this Technical Guidance.

The key sections of this Technical Guidance are as follows:

- Section 2 describes the desired characteristics of UTIs. This is an updated version of the same section in the Consultative Report.
- Section 3 describes the proposed approach for UTIs based on the work of the Harmonisation Group, explains how the results of the Consultative Report and the industry workshops have influenced the approach and provides the Technical Guidance itself.
- Section 4 addresses the points raised in the Consultative Report which are not covered by the Technical Guidance.

## 2. Characteristics of UTIs

The UTI is intended to identify individual OTC derivative transactions to be reported to TRs. The UTI is intended 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. However, the CPMI and IOSCO are also mindful of the interests of those entities that generate UTIs or have to handle messages in which UTIs are included. The characteristics for UTIs listed below were included in the Consultative Report. They are repeated here with some changes from that Consultative Report highlighted. These characteristics have guided the CPMI and IOSCO in the development of this Technical Guidance.

### 2.1 Neutrality

The UTI should be globally applicable and the generation of the UTI should not reflect jurisdictional differences. While reporting is reflective of jurisdictional variations (eg dual sided or single sided reporting), the generation of the UTI should be flexible enough to meet the vast majority of generation needs.

Neutrality helps ensure that the solution is globally applicable to the extent feasible and facilitates aggregation.

### 2.2 Uniqueness

Every reportable transaction should have a unique UTI. Different reportable transactions should each have their own UTIs. No UTIs should be reused even if the previous use was on a transaction that is no longer open.

This characteristic is not intended to mean that UTIs have to change in order to correct an error in a previous report (other than an error in the UTI).

<sup>6</sup> This is not to foreclose that a jurisdiction in its reporting rules could refer to the Technical Guidance.



Uniqueness is a characteristic that contributes to the avoidance of under- or over-counting of transactions, their values, and market participants' exposures.

## 2.3 Consistency

Any individual transaction should have the same UTI even if such transaction is reported more than once. The reasons why this might happen are discussed in Section 2.9.

Consistency is a characteristic that facilitates matching<sup>7</sup> while contributing to the avoidance of double-counting.

## 2.4 Persistence

A transaction should keep the same UTI throughout its lifetime.

This continuity facilitates the handling of amendments and updates to a report.

Some life cycle events affecting existing OTC derivative transactions create one or more new reportable transactions, which such reportable transactions would then each require a new UTI. Such circumstances could include:<sup>8</sup>

- Novation, eg to a central counterparty, or other change of one of the counterparties to a transaction.
- Allocations, eg of a block to individual counterparties.
- Nettings and compressions.

Having a common approach to the circumstances in which a new UTI is needed helps to facilitate aggregation without under- or over-counting. The CPMI and IOSCO are also considering the extent to which life cycle events affect other data elements included in derivative reports and may consult further on this.

## 2.5 Traceability

If one transaction is replaced by another transaction with a different UTI, then there should be a means of relating the transactions before and after such a change of UTI. It is not, however, intended to embed "intelligence" in the UTI to achieve this<sup>9</sup>.

Traceability assists in understanding the evolution of transactions and provides an audit trail.

The CPMI and IOSCO are considering whether traceability should be achieved by means other than embedding intelligence in the UTI. See section 4.1 for more details.

## 2.6 Clarity

The approach to creating UTIs should be clear and unambiguous as regards the following points:

<sup>7</sup> "Matching" occurs when multiple reports are made about the same transaction. This commonly occurs for transactions subject to dual-sided reporting regimes or where the reporting rules of multiple jurisdictions apply.

<sup>8</sup> The list of such circumstances is discussed in more detail in Section 3.2.

<sup>9</sup> Consultative responses suggested that traceability should not be an inherent characteristic of the UTI itself but instead should be captured – to the extent necessary and feasible – by other elements of an OTC derivatives trade report. Therefore, the CPMI and IOSCO have concluded that traceability is beyond the scope of this Technical Guidance.

- The circumstances in which a UTI is required.
- Who should be responsible for generation of the UTI.
- The timing of the generation.
- The structure and format of the UTI.
- The circumstances (relevant events) in which a change to a transaction would require a new UTI to be generated.

Clarity should help ensure that UTIs are generated consistently enough to enable aggregation. It also should help market participants comply with the rules of relevant jurisdictions.

## 2.7 Easy and timely generation

When an entity needs a UTI to identify a transaction, it should be able to generate or acquire one in a timely manner, although the actual time when a UTI is needed may vary between jurisdictions due to their different reporting rules. Similarly, the entity responsible for the generation of the UTI should be able to share it with other parties in time so that they can meet their reporting obligations.

Easy and timely generation should assist market participants in complying with the UTI and general reporting rules.

## 2.8 Respecting existing UTIs

The approach to creating UTIs should respect existing UTIs<sup>10</sup> that were created before the Technical Guidance is implemented by authorities, and, as much as possible, not cause problems particularly with respect to uniqueness when groups of transactions are analysed that include UTIs generated consistent with the Technical Guidance and prior regimes.

Backwards compatibility should enable the analysis of old transactions to continue despite any changes that the Technical Guidance may bring.

## 2.9 Scope and flexibility

The UTI approach has to work in a context where there are some differences in reporting regimes for OTC derivatives. Following the characteristic that the UTI should be jurisdiction-agnostic, this leads to the following more detailed characteristics.

### Scope differences

The UTI approach is for use in the reporting of OTC derivative transactions and their subsequent aggregation and analysis. The approach does not preclude it having a wider applicability in some cases where this does not conflict with other legislation or rules. Some potential areas of wider applicability are outlined below.

- The definition of “OTC derivative” is not harmonised at a global level and varies among jurisdictions. Thus the Technical Guidance for UTIs is not dependent on a single definition of “OTC derivative”, but instead should be generally applicable to any transaction that is classified as an “OTC derivative” in a jurisdiction relevant to the transaction and which requires a UTI for reporting purposes.

<sup>10</sup> Existing designations for UTIs include USI and Trade ID.

- Some jurisdictions also require the reporting of non-OTC derivatives transactions through the same channels (ie using the same reporting formats and rules and/or the same TRs) as OTC derivative transactions. The UTI scheme for OTC derivative transactions may be compatible with or adaptable to other transactions.

#### Multiple reports for the same transaction

There may be more than one report for a transaction. Reasons for this include the following.

- Where jurisdictions require both counterparties to report (“double-sided” reporting).
- On cross-jurisdiction trades, where both counterparties and other parties are required to report, even though one or more of the applicable jurisdictions might only require single-sided reporting.
- Updates to existing reports.

Where there is more than one report of a transaction, these reports might be made to the same TR or to different TRs.

The UTI approach does not depend on the assumption that all reports on the same transaction are to the same TR or made under the same jurisdiction’s rules.

The UTI approach needs sufficient flexibility to deal with the diversity of reporting regimes in areas such as the scope of transactions that are required to be reported and by which entities.

### 2.10 Representation

The format and representation (eg character sets) of the UTI should be such that the UTI can be transmitted through generally accepted communication means for financial transactions and be legible and visible on computer displays.

The Technical Guidance includes a single, globally applicable, format and representation of the UTI.

### 2.11 Long-term viability

The UTI approach is expected to remain valid for the foreseeable future. It should be useable now and not be limited by technological or legal constraints that exist in 2016 but which could reasonably be expected to change in the near future.

### 2.12 Anonymity

Counterparties to an OTC derivative contract should not be identifiable as an unintended consequence of including the UTI in the publication of information derived from trade reports. The approach discussed in Section 3.5 of the Technical Guidance results in some cases in which counterparties could be identifiable from the UTI.<sup>11</sup>

The CPMI and IOSCO are not aware of, and no Consultative Report commenters noted, any current example of UTIs being published. Maintaining anonymity appears to be achievable, for example by avoiding the publication of UTI or if a counterparty responsible for ensuring generation of the UTI

<sup>11</sup> The Consultative Report queried whether anonymity was a necessary characteristic. Consultative responses generally supported the approach taken in this Technical Guidance.

delegated the generation to another entity. Thus the approach to the UTI laid out in Section 3 has not been created with anonymity as a requirement.

Further work may be required to ascertain if the CPSS-IOSCO report of 2013 on authorities' access to TR data,<sup>12</sup> which states that anonymised data is sufficient for certain purposes (see Table 6.2 of that report), needs to be amended because the UTI approach set out in this Technical Guidance would in some circumstances result in UTIs being made available between authorities and such UTI could reveal counterparties.

As noted in the Consultative Report, the CPMI and IOSCO continue to assume that any global aggregator will need to see UTIs in order to prevent double-counting of the same transaction.

### 3. Approach to UTIs including the Technical Guidance

This section describes the Technical Guidance and explains how the CPMI and IOSCO arrived at it taking into account the desired characteristics presented above, the authorities' experience with existing reporting regimes, responses to the Consultative Report and discussions during the industry workshops.

The Technical Guidance aims to cover the majority of cases in which a UTI is required. There may be cases that are not covered by this Technical Guidance.

#### 3.1 Reportable transactions

##### Need for harmonisation

As discussed in the Consultative Report, there are scope differences between jurisdictions regarding which transactions are reportable. It is not the purpose of this Technical Guidance to harmonise those differences.

For example, there could be differences between jurisdictions that would affect UTI generation when the number of reports required for a trade varies. This could arise for strategy or package trades where one jurisdiction might require or allow for a single report describing the strategy or package while another jurisdiction might require or allow for separate reports for each component of the strategy or package, each with their own UTI.

##### Consultative Report analysis

The main conclusions for reportable transactions are the same as the proposals in the Consultative Report. The Technical Guidance does not seek to determine which transactions should be reportable, only to ensure that these reportable transactions have UTIs.

- Each reportable transaction should have a UTI that is different from the UTI of any other reportable transaction.
- However, if a particular transaction is reported more than once, then the same UTI should be used for each such report.

<sup>12</sup> CPSS-IOSCO, *Consultative report on Authorities' access to trade repository data*, April 2013, [www.iosco.org/library/pubdocs/pdf/IOSCOPD408.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD408.pdf).

## Guidance to authorities

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.<sup>13</sup>

## 3.2 The impact of life cycle events on the UTI

New UTIs should be used for the initial reports of new reportable transactions. This subsection discusses the circumstances under which life cycle events that affect the reported transaction should result in a new UTI being generated or not. This is without prejudice to whether any of these events are reportable under the rules of individual jurisdictions – if an event is reportable, then the following approach is proposed for handling the UTI(s) in each case.<sup>14</sup>

### Approach to life cycle events<sup>15</sup>

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. This could occur when:

- the transaction is replaced by another transaction, eg due to compression or netting; or
- the transaction is split into different transactions.

The approach is therefore as follows:

- (i) If new information is being reported about an OTC derivatives transaction about which a report has already been made, or some of the previously reported information has changed, then the report should be updated using the same UTI as previously. Examples of situations where the previous UTI should be maintained include:
  - a. A revaluation or similar is reported.
  - b. Some previously reported information, such as whether the trade has been confirmed, has changed.
  - c. The contract is an amortising swap or similar and the notional has changed in accordance with the contractual terms.
  - d. Reporting of end-of-life events such as early termination.
  - e. Some information that was previously reported was incorrect and is being corrected, unless the incorrect information is the UTI itself.
- (ii) Otherwise, a new UTI is should be used. Examples of this include:

<sup>13</sup> See also Section 4.2.

<sup>14</sup> Note that this approach discusses the impact of life cycle events on the UTI and not on other data elements in reports. The impact on other data elements is expected to be the subject of further consultation by the CPMI and IOSCO, in particular to determine how elements such as a "prior UTI" or compression event may be harmonised.

<sup>15</sup> See also Section 4.1.

- a. A change to either counterparty. This includes the transaction being cleared, ie cases in which one counterparty becomes the CCP.
- b. Where an OTC derivatives transaction is replaced by one or more other OTC derivatives transactions, whether or not they involve the same or different counterparties.

If there is more than one such change to be applied to a report at the same time, then if any one of these changes would require a new UTI, a new UTI should be used.

The above approach should apply irrespective of the clearing model used in any particular jurisdiction and irrespective of the applicable rules defining which entities have to report a cleared transaction.

### 3.3 Responsibility for generating the UTI

#### Need for harmonisation

A UTI should be assigned to each reportable transaction. There is nothing inherent in the transactions themselves that determines which entity should generate the UTIs. In the absence of a harmonised approach, there is a risk that more than one UTI could be generated for a single reportable transaction, thus failing to conform to the consistency characteristic, particularly if the transaction was subject to more than one reporting regime or was subject to double-sided reporting.

This means that only one entity should be responsible for generating the UTI for a particular transaction. There is therefore a need to have a degree of harmonisation of the rules used to determine which entity should have that responsibility.

#### Consultative Report analysis

The Consultative Report considered three options and assessed each against the key characteristics of consistency, neutrality, clarity, scope and flexibility, and easy and timely generation. The options were as follows:

- (i) For all jurisdictions to adopt equivalent (ie globally harmonised) rules defining which entity should be responsible for generating the UTI.
- (ii) For jurisdictions to have compatible, but not necessarily equivalent, rules defining which entity should be responsible for generating the UTI.
- (iii) To have a UTI construct/algorithm appropriate for the authorities' characteristics, in particular the consistency characteristic, while not necessarily harmonising the rules about responsibility for generating the UTI.

No response to the Consultative Report provided an algorithm that would satisfy the third option. The CPMI and IOSCO have therefore focused on the first two options as the basis for harmonisation. Consultative Report responses, at least from entities that operate in more than one jurisdiction, suggest that those entities would prefer to have as consistent an approach across jurisdictions as possible. This presumably matters less to entities that operate in only one jurisdiction.

The CPMI and IOSCO have doubts about the feasibility of centralised generation given the number of UTIs required, and the Consultative Report responses did not identify a suitable infrastructure for centralised generation of UTIs. Therefore the solutions considered involve the possibility of many entities being candidates for generating UTIs.

The CPMI and IOSCO consider that in this situation, a way to achieve uniqueness of the UTI is to include a unique identifier for the generating entity within the UTI (see Section 3.5).

Consistent with the assessment set out in the Consultative Report, in preparing this Technical Guidance on responsibility for generation of the UTI, the CPMI and IOSCO focused on the characteristics of consistency, neutrality, clarity, scope and flexibility, and easy and timely generation. The CPMI and IOSCO have focused on the following principles:

1. To be sufficiently harmonised to achieve the desired characteristics while respecting jurisdictional differences that are outside the scope of this work.
2. To have an approach that should make it straightforward to identify which entity is responsible for generating the UTI, using information that should be available at or before the point in the process when the UTI is needed.
3. To assure that only one UTI is generated for a given transaction.
4. To assure that the UTI is available in time for the soonest reporting requirement and that responsibility for UTI generation is not allocated to an entity that might not be able to do it in time.
5. To be consistent with the approaches of those authorities that allow the entities responsible for generating UTIs to delegate the actual generation to another entity provided that such entity is able to generate the UTI in accordance with the principles stated in this guidance and in time for all reporting requirements.
6. To follow the “first touch” concept (ie to assign responsibility for UTI generation to the first entity in the transaction life cycle that could reasonably be in a position to do so) where feasible.
7. To facilitate the automation of the process of determining which entity should generate the UTI, the actual generation and the distribution of the UTI to those other entities that require it.
8. To produce an approach that would cover the majority of cases. Due to differences in trading patterns and reporting rules across jurisdictions, the approach may not cover all possible cases.
9. Not to have different approaches for different asset classes. Some Consultative Report responses suggested doing so, but the CPMI and IOSCO concluded that it is preferable not to have different approaches for different asset classes in the absence of a compelling reason to do so and in order to keep the Technical Guidance as simple as possible.
10. To have an approach that should lead to rules that are enforceable. Amongst other implications, this leads to an approach that tends to assign UTI generation responsibility to regulated entities.
11. To have an approach that works despite the fact that different jurisdictions have different reporting rules in other aspects, eg over specifying how cleared transactions are to be reported, potentially leading to inconsistencies over which transactions need to be reported and hence over which transactions need UTIs.
12. To have an approach that leverages existing market practices and communication flows, when practicable.
13. To have an approach that allocates the responsibility for UTI generation to entities that should be capable of sharing it with other entities that also require the UTI in time for those other entities’ needs.

#### Guidance to authorities

The approach below is technical guidance to authorities. Accordingly, as noted above in the considerations, it is not the rules themselves. Market participants should instead follow any rules for UTI generation responsibility of the applicable reporting regime(s).

The CPMI and IOSCO emphasise that the following factors should be considered by authorities for allocating responsibility for UTI generation. These factors are shown in textual form in Table 1 and diagrammatically in Figure 1. Not all factors will be relevant for all jurisdictions.

**Table 1**

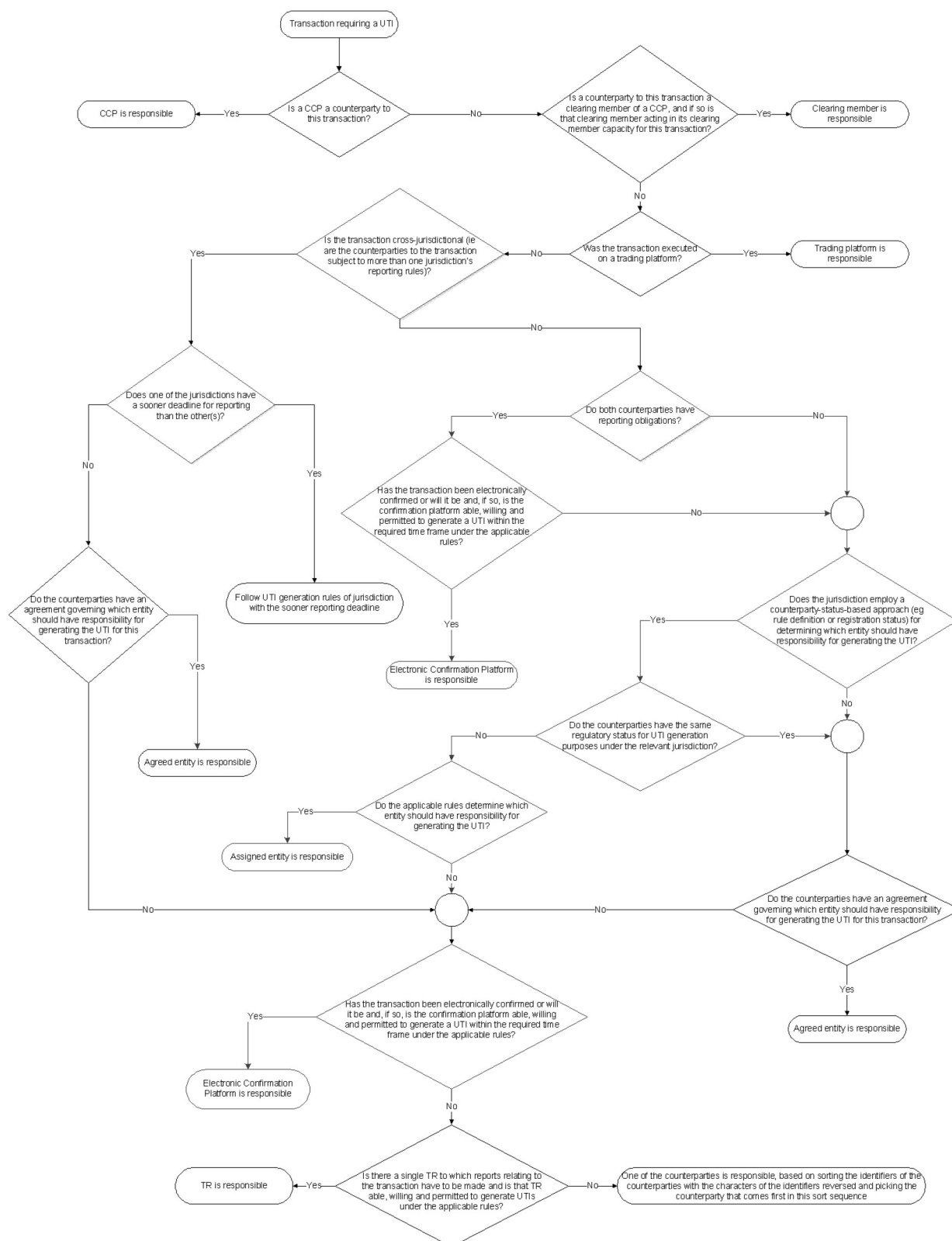
| <b>Step</b> | <b>Factor to consider</b>   | <b>Responsibility for UTI generation</b>                    |
|-------------|---|---|
| 1.          | Is a CCP a counterparty to this transaction?  | If so, the CCP.<br>Otherwise, see step 2.                   |
| 2.          | Is a counterparty to this transaction a clearing member of a CCP, and if so is that clearing member acting in its clearing member capacity for this transaction?  | If so, the clearing member.<br>Otherwise, see step 3.       |
| 3.          | Was the transaction executed on a trading platform?   | If so, the trading platform.<br>Otherwise, see step 4.      |
| 4.          | Is the transaction cross-jurisdictional (ie are the counterparties to the transaction subject to more than one jurisdiction's reporting rules)?   | If so, see step 10.<br>Otherwise, see step 5.               |
| 5.          | Do both counterparties have reporting obligations?  | If so, see step 6.<br>Otherwise, see step 7.                |
| 6.          | Has the transaction been electronically confirmed or will it be and, if so, is the confirmation platform able, willing and permitted to generate a UTI within the required time frame under the applicable rules? | If so, the confirmation platform.<br>Otherwise, see step 7. |
| 7.          | Does the jurisdiction employ a counterparty-status-based approach (eg, rule definition or registration status) for determining which entity should have responsibility for generating the UTI?                    | If so, see step 8.<br>Otherwise, see step 11.               |
| 8.          | Do the counterparties have the same regulatory status for UTI generation purposes under the relevant jurisdiction?  | If so, see step 11.<br>Otherwise, see step 9.               |
| 9.          | Do the applicable rules determine which entity should have responsibility for generating the UTI?   | If so, the assigned entity.<br>Otherwise, see step 12.      |



| <b>Step</b> | <b>Factor to consider</b>   | <b>Responsibility for UTI generation</b>   |
|-------------|---|--|
| 10.         | Does one of the jurisdictions have a sooner deadline for reporting than the other(s)?   | If so, then the UTI generation rules of the jurisdiction with the sooner reporting deadline should be followed.<br><br>Otherwise, see step 11.   |
| 11.         | Do the counterparties have an agreement governing which entity should have responsibility for generating the UTI for this transaction?  | If so, the agreed entity.<br><br>Otherwise, see step 12.   |
| 12.         | Has the transaction been electronically confirmed or will it be and, if so, is the confirmation platform able, willing and permitted to generate a UTI within the required time frame under the applicable rules? | If so, the confirmation platform.<br><br>Otherwise, see step 13.   |
| 13.         | Is there a single TR to which reports relating to the transaction have to be made, and is that TR able, willing and permitted to generate UTIs under the applicable rules?  | If so, the TR.<br><br>Otherwise, one of the counterparties, based on sorting the identifiers of the counterparties with the characters of the identifier reversed and picking the counterparty that comes first in this sort sequence. |

**Figure 1**

**UTI GENERATION FLOWCHART GUIDANCE TO REGULATORY AUTHORITIES  
2016-12-19**



It is important to have clarity in any given jurisdiction regarding whether the entity responsible for UTI generation can delegate the actual generation to another entity and whether there are any limits

to this delegation ability, eg in terms of the types of entities to which they can delegate the generation. In any event, delegation arrangements should ensure that the entity to which the UTI generation has been delegated is able to generate the UTI in accordance with the principles stated in this guidance (in particular, the timely generation principles described in the section below).

All agreements between counterparties or between entities responsible for UTI generation and entities to which they delegate the actual generation must conform to the rules of the jurisdictions in which they are being applied.

Authorities should permit the use of UTIs that have been generated outside their jurisdiction.

### 3.4 Timing of UTI generation

#### Need for harmonisation

The UTI should be generated and made available to all relevant parties in time for them to make use of it as required, in particular to make a report to a TR, although there may be other uses that require a UTI earlier.

As noted in the discussion above, the UTI must be generated and shared (to the extent necessary) in time for all applicable reporting obligations. The Technical Guidance on the entity responsible for UTI generation is also designed to enable early and automated generation in the transaction's life cycle.

#### Consultative Report analysis

Responses to the Consultative Report broadly agreed with the points above.

An alternative view was also expressed that it was not necessary to generate a UTI until it was needed. While elements of this view have been included in the considerations of which entity should generate the UTI (eg allowing for the possibility that the TR generate the UTI in some circumstances), the "first touch" approach has been more significant in formulating the Technical Guidance.

#### Guidance to authorities

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.

### 3.5. UTI structure

#### Need for harmonisation

The main purpose of defining a structure for the UTI is to ensure uniqueness.

#### Consultative Report analysis

The Consultative Report listed a number of possible components of the UTI. In addition to having a structure that conforms to the UTI characteristics, there was also a question about the extent to which authorities need to impose a specific structure.

Although some Consultative Report responses proposed incorporating more components in order to achieve uniqueness, it was generally felt that it would be sufficient to have a structure composed of a "mint" (to identify the generating entity) together with a "value" generated by that entity. It is assumed

that the generating entity can avoid reusing the same value component and thus the combination of the two components would be sufficient to ensure uniqueness.

The CPMI and IOSCO have concluded that there is no need to:

- a. include other specific components in the UTI (a number were discussed in the Consultative Report);
- b. specify a particular algorithm to create the value part of the UTI;
- c. include a check digit or similar; or
- d. include elements that would be intended to link a transaction to other elements of a package trade or identify a prior related transaction or similar – these points are discussed further in Sections 4.1 and 4.2 of this report.

With regard to what code should constitute the mint component, the CPMI and IOSCO have applied the preference for using existing international standards and have selected the LEI code.

A consequence of the fixed length of the LEI code and the otherwise simple structure of the UTI means that there is no need for a special separator character between the UTI's mint and value components.

Although this approach does not explicitly ensure that UTIs would be unique with respect to UTIs created prior to its implementation, analysis by the CPMI and IOSCO suggests that such problems would be minimal or non-existent in practice.

### Guidance to authorities

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 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.

Because the generating entity could be a counterparty to the transaction, authorities are encouraged to consider the implications carefully before any UTIs are published as this could break the anonymity of the transaction.

## 3.6. UTI format

### Need for harmonisation

Standardising the format of the UTI helps to ensure that it is simple to build systems that can handle UTIs from multiple jurisdictions. This will be particularly important for global aggregation.

### Consultative Report analysis

There was a preference among Consultative Report responses for a variable length UTI with a maximum number of characters over a fixed length.

There were mixed views on the set of characters that should be allowed and whether upper and lower case characters should be regarded as distinct. The CPMI and IOSCO have concluded that a relatively restricted character set would be sufficient and avoid problems.

There was no desire for re-reporting of UTIs created before the implementation of this Technical Guidance.

#### Guidance to authorities

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, and should not require these to be re-reported.

## 4. Areas not included in the Technical Guidance

The Consultative Report included some areas of potential relevance to the UTI which the CPMI and IOSCO have determined should not form part of the Technical Guidance for the UTI, although (in some cases) they may be considered for harmonisation as other fields on a trade report. This section discusses these areas.

### 4.1 Linking related transactions through life cycle events

Section 3.2 describes how UTIs should be allocated when a life cycle event occurs. The Consultative Report also discussed whether there should be a link between the reports and, if so, how this should be achieved.

Consultative Report responses generally preferred that any such link should be achieved through a separate data item on a report rather than through embedding an element within the UTI itself. Responses also suggested that it would be feasible to relate transactions in two ways:

- Through the use of a “prior UTI” reported on the subsequent transaction where it was possible to uniquely identify this, eg in events such as a novation.
- For compressions, through the use of a “compression event” identifier that would be reported on the transactions involved in, or arising from, a compression event. Such identifiers are produced by at least some providers of compression services.

The CPMI and IOSCO have therefore concluded that:

1. The UTI itself does not need to incorporate linking information.
2. Further work will be carried out to determine how items such as a prior UTI or compression event identifiers could be harmonised.

### 4.2 Linking transactions arising from a single execution

Some OTC derivatives transactions involving the simultaneous pricing and execution of two or more components require two or more reports to TRs to specify them within the applicable reporting

framework.<sup>16</sup> These are sometimes known as “package transactions”.<sup>17</sup> Examples include multi-leg swaps or option strategies. Nevertheless, there may be complex transactions that can be properly represented within a single report.

Different jurisdictions have different rules regarding exactly how package transactions should be reported. For the purposes of this Technical Guidance, the CPMI and IOSCO have concluded that the rules relating to UTIs should work with those rules as they stand (or evolve) because seeking to change them is outside the mandate of this work. Nevertheless, the CPMI and IOSCO note that it would be desirable for these rules to be as harmonised as possible in order to ensure consistency of the UTI across reports. Thus, UTIs should be allocated at the level of the transactions that have to be reported.

The Consultative Report asked whether there should be links between reports of a package transaction, where the complete package was reported through multiple reports, and, if so, whether these links should be achieved through the UTI itself or separately.

Consultative Report responses generally suggested that it would be better to include any such link as a separate item to be reported.

The CPMI and IOSCO have therefore concluded that:

1. The UTI itself does not need to incorporate linking information.
2. Further work will be carried out to determine how items such as a package link could be harmonised.

### 4.3 Differences between clearing models

Some Consultative Report responses noted that differences in reporting rules applicable to cleared trades sometimes caused problems for reporting, and requested more harmonisation of these rules, particularly in regard to the so-called agency and principal clearing models.

The CPMI and IOSCO note that harmonising what is considered a “cleared transaction” for reporting requirements or how to report transactions that some jurisdictions might regard as cleared is outside the scope of this Technical Guidance.<sup>18</sup> With this Technical Guidance, the CPMI and IOSCO have sought to produce a UTI approach that should work even though different jurisdictions have different rules relating to clearing (both the definition of the term and how cleared transactions should be reported).

### 4.4 Anonymity and dissemination of the UTI

The consultation discussed whether there might be issues with disseminating the UTI depending on how it was structured (see Sections 2.12 and 3.5). However, the CPMI and IOSCO are not aware of, and no Consultative Report commenters noted, any current examples of UTIs being published.

As according to this Technical Guidance the LEI of the generating entity would be incorporated in the UTI, public dissemination of the UTI would risk breaking the anonymity of the data if the generating

<sup>16</sup> That is, the combination of rules and reporting systems/formats applicable to the particular report.

<sup>17</sup> It is acknowledged that some jurisdictions’ definitions of the term “package transaction” may include other factors such as execution time. For the purposes of this document, a broad definition of package transaction is used that is likely to be wider than the definitions used in any particular jurisdiction. This is without prejudice to any particular jurisdiction’s definition of the term and is not intended to mean that any jurisdiction should change their definition(s).

<sup>18</sup> The CPMI and IOSCO consulted about critical data elements, including the data element “cleared” in September 2015. See [www.bis.org/cpmi/publ/d132.htm](http://www.bis.org/cpmi/publ/d132.htm).

entity (determined according to the approach in Section 3.3) was one of the counterparties to the trade, as would sometimes be the case.

## 5 List of members of the Harmonisation Group

This report was produced for the CPMI and IOSCO by the Working Group for the harmonisation of key OTC derivatives data elements.

### **Co-chairs:**

Marc Bayle  
European Central Bank  
John Rogers  
US Commodity Futures Trading Commission

### **Vice-chairs:**

Markus Mayers  
European Central Bank  
Karine Themejian (until October 2015)  
European Central Bank  
Srinivas Bangarbale  
US Commodity Futures Trading Commission

### **Members:**

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| Canada        | Steve Badra-Quirion<br>Autorité des Marchés Financiers<br>Shaun Olson<br>Ontario Securities Commission<br>Yani Wu<br>Ontario Securities Commission   |
| China         | Haibo Cheng (until May 2016)<br>China Securities Regulatory Commission<br>Hailong Li (May 2016--August 2016)<br>China Securities Regulatory Commission<br>Xueqian Wang (since August 2016)<br>China Securities Regulatory Commission |
| France        | Franck Lasry<br>Autorité des Marchés Financiers<br>Claudine Hurman<br>Bank of France<br>Laurent Kersenbaume<br>Bank of France  |
| Germany       | Olaf Kurpiers<br>Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)   |
| Hong Kong SAR | Colin Pou Hak Wan (until October 2015)<br>Hong Kong Monetary Authority<br>Pansy Pang (since October 2015)<br>Hong Kong Monetary Authority  |

|                    |  |
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| Mexico             | Roberto Toledo-Cuevas<br>Bank of Mexico  |
| Netherlands        | Marinus Jeuken<br>Netherlands Bank   |
| Russian Federation | Ekaterina Abasheeva<br>Central Bank of the Russian Federation  |
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| United Kingdom     | Will Abel (until April 2015)<br>Bank of England<br>Michael Yoganayagam (April 2015 to July 2016)<br>Bank of England<br>John Tanner<br>Financial Conduct Authority (until January 2015)<br>Bank of England (since February 2015)<br>Victoria Hinton (until September 2015)<br>Financial Conduct Authority<br>Chris Kiew-Smith (May 2015 to January 2016)<br>Financial Conduct Authority   |
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|  |   |
|--|---|
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|  | Michael Gaw<br>US Securities and Exchange Commission  |
|  | William Katt<br>US Securities and Exchange Commission   |
|  | Carol McGee<br>US Securities and Exchange Commission  |
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| United States  | Thomas Brown<br>Office of Financial Research<br>Cornelius Crowley<br>Office of Financial Research<br>William Nichols<br>Office of Financial Research<br>Robert Peterson<br>Office of Financial Research<br>Robert Stowsky<br>Office of Financial Research (until July 2015)<br>Paul D'Amico<br>Office of Financial Research |
| European Insurance and<br>Occupational Pensions<br>Authority | Patrick Hoedjes<br>Katarzyna Wojtkiewicz  |
| European Banking Authority<br>FSB Secretariat                | Giuseppe Cardi Gabriel<br>Pietro Franchini (until December 2015)<br>Mark Chambers (since January 2016, until June 2016)<br>Laurence White (since July 2016)   |
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| International Organization of<br>Securities Commissions      | Manabu Kishimoto (until January 2015)<br>Verinder Sharma (since January 2015)   |