

## **Governance arrangements for the UPI**

### **Conclusions, implementation plan and next steps to establish the International Governance Body**

9 October 2019

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## Executive Summary

In 2009 G20 Leaders agreed to improve the resilience of the over-the-counter (OTC) derivatives market by enhancing – among other things – its transparency. They agreed that all OTC derivatives transactions should be reported to Trade Repositories (TRs). Aggregation of the data reported to TRs can help authorities to obtain a comprehensive view of the OTC derivatives market. Since then, the Financial Stability Board (FSB) undertook a study on data aggregation and recommended in 2014 a number of preparatory steps to aggregation, including standardisation and harmonisation of important data elements reported to TRs.

This report sets out the conclusions of the FSB on Governance Arrangements for the Unique Product Identifier (UPI), together with a recommended implementation plan for those arrangements and next steps to establish an International Governance Body for the UPI.<sup>1</sup> The report conditionally identifies the International Governance Body for the UPI and the Unique Transaction Identifier (UTI).

As part of the conclusions of the Governance Arrangements for the UPI, the report sets out the final key criteria for the UPI Governance Arrangements, and sets out conclusions on the components of the UPI Governance Arrangements and on the allocation of UPI Governance Functions. The report also elaborates on the relationship of the designated UPI Service Provider<sup>2</sup> to other components of the Governance Arrangements and on the merits of having an International Data Standard for the technical structure and format of the UPI Code and of UPI Reference Data Elements.

The FSB identifies the Legal Entity Identifier Regulatory Oversight Committee (LEI ROC) as best positioned to be the single International Governance Body (IGB) for the UTI and UPI, provided that the LEI ROC makes appropriate adjustments to its existing governance to make it fit for purpose for these identifiers. The FSB takes this decision in coordination with the Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO), which were tasked to develop governance arrangements for the critical data elements other than UTI and UPI (CDE).<sup>3</sup> Furthermore, in coordination with the CPMI and IOSCO and following dialogue with the LEI ROC, the FSB anticipates that the LEI ROC can adopt and implement these adjustments by mid-2020. The transfer of the governance functions for the UTI and UPI to the LEI ROC will ultimately be made upon the FSB's consideration of the adjustments of the LEI ROC to become the International Governance Body for the UTI and UPI (as well as CDE).

On an interim and time-bound basis (i.e. until the LEI ROC has finalised its adjustment process and the FSB transfers the UTI, UPI, and CDE governance to the LEI ROC), the FSB, in

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<sup>1</sup> Capitalised terms and acronyms used but not defined in the main body of this document have the meanings assigned to them in Appendix A to this document.

<sup>2</sup> In May 2019 the FSB designated the Derivatives Service Bureau (DSB) Ltd as the sole UPI Service Provider for the future UPI system.

<sup>3</sup> In their report (*Governance arrangements for critical OTC derivatives data elements (other than UTI and UPI)*), CPMI and IOSCO identify the Legal Entity Identifier Regulatory Oversight Committee (LEI ROC), as best positioned to be the International Governance Body (IGB) also for CDE, provided that the LEI ROC makes appropriate adjustments to its existing governance to make it fit for purpose.

coordination with CPMI and IOSCO, has agreed that the FSB GUUG, as augmented by some previous members of the CPMI and IOSCO working group for harmonisation of key OTC derivatives data elements (Harmonisation Group), should take on transitional IGB governance and implementation functions.

Finally, the FSB recommends that jurisdictions undertake any actions relevant to their situation to implement the UPI Technical Guidance to take effect no later than three years from the publication of this report (i.e. no later than the third quarter 2022).<sup>4</sup>

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<sup>4</sup> It is understood that in the meanwhile the necessary steps have been undertaken to ensure a proper oversight including arrangements with the UPI Service Provider.

# 1. Background

## 1.1 FSB OTC derivatives data Aggregation Feasibility Study

Different jurisdictions require the reporting of over-the-counter (OTC) derivatives transactions 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 Authorities obtain a comprehensive global view of the OTC derivatives market.

The Aggregation Feasibility Study, published by the FSB in September 2014, recommended a number of key preparatory steps to enable effective global aggregation of OTC derivatives transaction reporting data.<sup>5</sup> One of the 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, including in particular through the global introduction of the Legal Entity Identifier (LEI), and the creation of a Unique Transaction Identifier (UTI) and Unique Product Identifier (UPI)."

## 1.2 Harmonisation of OTC derivatives data elements

The FSB at that time asked the CPMI and IOSCO to develop global guidance on harmonisation of Data Elements that are reported to TRs and are important for aggregation by Authorities.<sup>6</sup> The UTI Technical Guidance, issued on 28 February 2017, sets out the UTI Data Standard which contains a structural definition and a format specification of the UTI.<sup>7</sup> Moreover, the UPI Technical Guidance, issued on 28 September 2017, sets out technical requirements for a UPI Code and related reference data.<sup>8</sup> Finally, the CPMI and IOSCO issued the Technical Guidance for CDE in April 2018<sup>9</sup> and have consulted on Governance Arrangements for the CDE in August 2018.<sup>10</sup>

## 1.3 The UPI

The UPI is one of the OTC derivatives data elements that is critical to many aspects of regulatory work. The role of the UPI is to uniquely identify the product involved in an OTC

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<sup>5</sup> For more detail, see FSB (2014), [Feasibility study on approaches to aggregate OTC derivatives data](#).

<sup>6</sup> The FSB also 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. See FSB (2104), [FSB publishes Feasibility Study on Aggregation of OTC Derivatives Trade Repository Data](#) (Press Release), 19 September.

<sup>7</sup> CPMI and IOSCO (2017a), *Technical Guidance: Harmonisation of the Unique Transaction Identifier*, available at <https://www.bis.org/cpmi/publ/d158.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD557.pdf>.

<sup>8</sup> See CPMI and IOSCO (2017b), *Technical Guidance: Harmonisation of the Unique Product Identifier*, available at <https://www.bis.org/cpmi/publ/d169.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD580.pdf>

<sup>9</sup> See CPMI and IOSCO (2018), *Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) - Technical guidance*, available at <https://www.bis.org/cpmi/publ/d175.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD598.pdf>.

<sup>10</sup> See CPMI and IOSCO (2018), *Governance arrangements for critical OTC derivatives data elements (other than UTI and UPI) - consultative report*, available at <https://www.bis.org/cpmi/publ/d182.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD611.pdf>.

derivatives transaction that an authority requires, or may require in the future, to be reported to a TR.<sup>11</sup>

The UPI Technical Guidance envisions a system under which a unique UPI Code would be assigned to each distinct OTC derivative product and map to a set of reference data elements having specific values that together describe the product. The UPI Technical Guidance discusses the reference data elements, their appropriate granularity level, and the structure of the UPI Code. The collection of reference data elements and their values for each product would reside in a UPI Reference Data Library that would be administered by the UPI Service Provider(s).

When used in this report, the term “UPI System” refers to the UPI Code, the UPI Reference Data Library, and the process of assigning a UPI Code to a set of reference data elements.

#### **1.4 The UTI**

The UTI uniquely identifies individual OTC derivative transactions reported to TRs. It is designed to facilitate consistent global aggregation of OTC derivatives transactions by minimising the likelihood that the same transaction will be counted more than once.

The UTI Technical Guidance covers the circumstances in which a UTI should be used, sets out principles on when a lifecycle event should cause a new UTI to be generated, and defines which entity should be responsible for generating the UTI and by when it should be generated. Finally the UTI Technical Guidance sets out the UTI Data Standard, including the UTI’s structure and format.

#### **1.5 FSB’s work on Governance Arrangements for the UTI and UPI**

In March 2016, the FSB established a working group on UTI and UPI governance (GUUG) to develop Governance Arrangements for the UTI and UPI.

The FSB issued proposals and sought comments on options for UTI Governance Arrangements (the UTI Governance Consultation)<sup>12</sup> and for UPI Governance Arrangements (the First and Second UPI Governance Consultations, in October 2017 and April 2018).<sup>13</sup>

In December 2017 the FSB published conclusions and an implementation plan on the Governance Arrangements for the UTI<sup>14</sup> stating that the final identification of the IGB for the UTI should take place contemporaneously with the FSB making its conclusions on the UPI

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<sup>11</sup> It is acknowledged that the UPI can be useful for internal business purposes, as highlighted by several commenters. However it is noted that regulatory reporting is the core purpose of the UPI.

<sup>12</sup> See FSB (2017a), *Governance arrangements for the unique transaction identifier (UTI): Consultation document*. All stakeholder responses are available at: <http://www.fsb.org/2017/07/public-responses-to-consultation-on-proposed-governance-arrangements-for-the-unique-transaction-identifier-uti/>.

<sup>13</sup> See FSB (2017b) *Governance arrangements for the unique product identifier (UPI): key criteria and functions* and FSB (2018a) *Governance arrangements for the unique product identifier (UPI): second consultation document*. All stakeholder responses are available at: <http://www.fsb.org/2017/11/public-responses-to-consultation-on-proposed-governance-arrangements-for-the-unique-product-identifier-upi/> and <http://www.fsb.org/2018/06/public-responses-to-the-second-consultation-on-governance-arrangements-for-the-unique-product-identifier-upi/> respectively.

<sup>14</sup> See FSB (2017c) *Governance arrangements for the unique transaction identifier (UTI): Conclusions and implementation plan*.

Governance Arrangements, as there may be benefits to having a common governance framework. On an interim basis, the CPMI and IOSCO were designated to take on the functions of the IGB for the UTI.

In July 2018 the FSB published a call for self-assessments from prospective UPI Service Providers (the Self-Assessment Questionnaire).<sup>15</sup> In May 2019 the FSB designated the Derivatives Service Bureau (DSB) Ltd as the sole UPI Service Provider for the future UPI system.<sup>16</sup>

This report sets out the conclusions of the FSB on Governance Arrangements for the UPI, together with a recommended implementation plan for those arrangements and next steps to establish the IGB for the UPI. The report also conditionally identifies the IGB for the UPI and for the UTI.

## **1.6 Aligning UPI and UTI regulatory oversight**

Industry representatives and other stakeholders expressed a preference that the regulatory oversight structure for the UPI and UTI should not duplicate one another. A proliferation of oversight structures is burdensome for regulators and industry participants alike.

Such preference was expressed despite the existence of differences between UPI and UTI in terms of how they should be overseen consistently and in global coordination. The UTI is not centrally issued and has no reference data and hence, unlike the UPI, does not require a Reference Data Library. Nor does it need a service provider for generation: by design, it can be easily generated by combining the LEI of the generating entity and a unique code.

Such differences between the UTI and the UPI do not necessarily require separate regulatory oversight as both unique identifiers involve the same domain of OTC derivatives reporting. On the contrary, the common regulatory oversight will offer synergies in coordinating implementation and maintenance.

## **2. Key criteria for the UPI Governance Arrangements**

This section sets forth the key criteria guiding the choice of Governance Arrangements that the FSB has identified, following the First and Second UPI Governance Consultations.<sup>17</sup>

### **Public interest**

Governance should be driven by the public and regulatory interest.

### **Lean**

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<sup>15</sup> See FSB (2018b) [FSB invites responses from prospective UPI service providers](#) (Press release), 16 July, and FSB (2018c) [Self-assessment questionnaire for prospective UPI Service Providers, Explanatory note](#).

<sup>16</sup> See FSB (2019) [FSB designates DSB as Unique Product Identifier \(UPI\) Service Provider](#) (Press Release), 2 May.

<sup>17</sup> In response to the First Consultation on key governance criteria, governance functions, and general approaches to governance, the FSB received many helpful comments in written responses and at a GUUG public roundtable. As noted in the Second UPI Consultation, commenters broadly supported these key criteria and the FSB did not propose revisions to them in its Second UPI Consultation. The key criteria published here are identical to those set out in the call for self-assessments published July 2018.

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

### **Change only as needed**

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

### **Consultative change process**

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

### **Economic sustainability**

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

### **Open access**

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

### **Cost**

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

### **Intellectual property**

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

### **Conflicts of interest**

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

### **Fit for purpose**

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

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

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

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

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

## **3. Governance Arrangements for the UPI: conclusions on components and allocation of functions**

### **3.1 Components of the UPI Governance Arrangements**

Having considered the feedback received in response to the First and Second UPI Consultations, as well as the submissions received in response to the Self-Assessment Questionnaire, the FSB concludes that the Governance Arrangements for the UPI System should be comprised of the following components:

- **UPI Service Provider(s).** This entity or these entities should provide for timely issuance of UPI Codes and maintenance of their associated reference data as required by the UPI Technical Guidance. The FSB, when soliciting self-assessments from potential UPI Service Providers, was neutral on whether there should be one or multiple UPI Service Providers.
- **Operator of the UPI RDL,** an entity that should record all existing UPI Codes and their associated UPI Reference Data. Most commenters in the First and Second UPI Governance Consultation did not favour a split between the UPI Service Provider and the Operator of the UPI RDL.
- **International Standardisation Body for the UPI,** the body responsible for registering and maintaining the UPI Code and the UPI Reference Data Elements as International Data Standards.
- **IGB,** an international regulatory oversight body that should provide overall oversight and coordinate between the UPI Service Provider(s), the International Standardisation Body, and other elements of the UPI Governance Arrangements, as well as the various stakeholders, and other international standard-setting bodies (including the CPMI, IOSCO and FSB).

- **Industry Representation Group (IRG)**, with representatives of, inter alia, reporting entities, derivatives infrastructure providers, and/or market data providers, to consult with other parts of the Governance Arrangements, including the IGB and the UPI Service Provider. The functions of an IRG might not need to be carried out by a newly constituted body. It could instead be constituted by one or more advisory committees associated with the UPI Service Provider(s).
- **Authorities and standard-setting bodies** that will continue to work on implementation, in coordination with the IGB.

### **3.2 UPI Governance Functions**

The FSB concludes that UPI governance functions should cover two broad areas: (1) the ongoing generation and management of UPIs; and (2) the oversight of the UPI System.

Functions related to ongoing generation of UPIs include the issuance of new UPI Codes, providing the existing UPI Code in response to a request where a particular grouping of product attributes has already been assigned a UPI Code, and routine maintenance of Reference Data Elements. Functions associated with the oversight of the UPI System include the oversight of the production of the UPI Codes and routine maintenance of Reference Data Elements, implementation and oversight of ongoing operation (e.g. receiving and considering any recommendation by a UPI Service Provider for further updates or changes to reference data or related data structures). The detailed description of these functions is included in Appendix B and reflects the proposal set out in the First UPI Governance Consultation.

These conclusions have taken into account the comments received to the First and the Second UPI Governance Consultations and are detailed in Appendix B.

## **4. Designation of the components of Governance Arrangements**

### **4.1 DSB as UPI Service Provider and operator of the UPI Reference Data Library**

In May 2019 the FSB designated DSB Ltd as the service provider for the future UPI system.<sup>18</sup> As the sole UPI Service Provider, DSB will also be the operator of the UPI RDL.

The designation of DSB was based on an assessment process undertaken by the GUUG, with technical advice from the Technical Assessment Sub-Group (TASG) of the CPMI and IOSCO working group for the harmonisation of key OTC derivatives data elements.

Designation of a sole UPI Service Provider furthers the goals of uniqueness and consistency, because this approach eliminates the risk that different UPI Service Providers might inadvertently assign different UPI Codes to the same product. It also eliminates the issue of integrating the reference data libraries of multiple UPI Service Providers into a single, master Reference Data Library (RDL) for the UPI System. With a single UPI Service Provider, the RDL of that Provider becomes de facto the master RDL for the entire UPI System.

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<sup>18</sup> See footnote 16.

***(a) Relationship of the designated UPI Service Provider to other components of the Governance Arrangements***

To subject DSB to appropriately rigorous oversight arrangements, the IGB should have a direct relationship with DSB, through a memorandum of understanding or similar arrangement.<sup>19</sup> In particular, since only one UPI Service Provider was designated, oversight arrangements will be designed to minimise the risk of monopoly behaviour (rent seeking, lack of service improvements and innovation, lack of proper business continuity arrangements, etc.) and the risk of disruption to the UPI system posed by a single point of failure.

The FSB will, through the GUUG, consult with DSB on how the function of the IRG will be best performed. The functions of an IRG might not need to be carried out by a newly constituted body. It could instead be constituted by one or more advisory committees associated with the UPI Service Provider

Also the IGB will, in consultation with the UPI Service Provider, define how the UPI Service Provider will interact with the International Standardisation Body for purpose of turning the UPI into an international standard, as explained in section 4.2.

***(b) UPI Service Provider implementation***

DSB's implementation of functions of a UPI Service Provider in accordance with the key criteria of the UPI Governance Arrangements and the UPI Technical Guidance will require dialogue with Authorities, in particular in relation to aspects such as continuity of service provision, full compliance with the Open Access key criterion, and the utility of the UPI Codes and the UPI Reference Data Elements to support public dissemination of OTC derivatives transactions, as required by particular jurisdictions.

To ensure continuity of service in the event DSB ceases to be the UPI Service Provider,<sup>20</sup> or if a third party attempts to seize or dispose of any of DSB's assets, it should be possible for IGB to replace DSB by another UPI Service Provider. As for underlier identifiers held within the UPI Reference Data Library,<sup>21</sup> DSB will prepare a version of the UPI Reference Data Library that does not include proprietary underlier identifiers subject to intellectual property restrictions in some jurisdictions, but that would be able to provide a reasonable degree of precision regarding the asset or instrument underlying each OTC derivatives product.<sup>22</sup> Further, to

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<sup>19</sup> There is precedent for this approach in the memorandum of understanding that the LEI ROC has with the Global Legal Entity Identifier Foundation (GLEIF).

<sup>20</sup> For example this could be the case if DSB enters into administration or ceases to be the UPI Service Provider for any other reason (e.g. due to non-compliance with the key UPI governance criteria or the UPI Technical Guidance).

<sup>21</sup> Underlier identifiers will be among the data that users would have to upload to the UPI Service Provider to obtain a UPI Code and would be among the reference data elements associated with individual UPI Codes; typically, each product will have a single underlier although in a small number of cases a product might have multiple identifiers.

<sup>22</sup> This would satisfy the Intellectual Property and Open Access criteria, and the provisions of the UPI Technical Guidance. The latter refer to section 5.1 of the HG's UPI Technical Guidance stating that: "The CPMI and IOSCO believe that the UPI should be developed in such a way that the identifiers used for underliers are compatible with applicable regulatory requirements (in any given jurisdiction). In practice, the UPI reference data library will need to accommodate multiple identifiers pertaining to the same underlying asset or benchmark if certain means of identification are required or preferred in one jurisdiction but those means are not allowed in other jurisdictions." Authorities and others with the appropriate licenses or privileges would still be able to utilise the most precise version of the UPI Reference Data Library that contains the proprietary underlier identifiers.

support the public dissemination of OTC derivatives transactions as required by particular jurisdictions, DSB may provide an ISO 18774 FISN (Financial Instrument Short Name) corresponding to each UPI Code so that market observers who consume public dissemination of OTC derivatives transactions pursuant to the rules of certain jurisdictions may obtain an understanding of the disseminated transactions (via the FISN) without necessarily having to consult the UPI Reference Data Library to look up the unintelligent UPI Code.

Also, DSB will be expected to support a public version of the UPI Reference Data Library that limits the geographic detail of underlying assets for certain commodity swaps.

#### **4.2 UPI code and reference data elements as ISO international data standards**

The FSB has determined that the UPI Code and the UPI Reference Data Elements should be set as international data standards and has identified ISO as the International Standardisation Body for the UPI.<sup>23</sup>

Without an International Data Standard for the technical structure and format of the UPI Code and of UPI Reference Data Elements, there is an increased risk of intentionally or accidentally divergent or incompatible implementation and adoption of the UPI. An International Data Standard will allow for consistent representation of the UPI Code in a standardised machine readable data format and thereby help create a uniform global language to consistently refer to and represent data elements within the UPI Reference Data Library.

Given that UPI values will be centrally managed through the UPI Reference Data Library operator function, having ISO available to ensure agreed-upon and open data definitions suitable for supporting multiple messaging formats will help to ensure common understanding and consensus among industry participants and stakeholders. In sum, technical standardisation promotes a common understanding of what is being communicated, builds consensus, and eases implementation.

#### **4.3 Designation of a Single International Governance Body for UTI and UPI**

In coordination with the CPMI and IOSCO, which were tasked to develop governance arrangements for the CDE,<sup>24</sup> the FSB identifies the Legal Entity Identifier Regulatory Oversight Committee<sup>25</sup> as best positioned to be the IGB, provided that the LEI ROC makes appropriate adjustments to its existing governance (e.g. governance structures and decision-making rules) to make it fit for purpose for UTI, UPI and CDE governance. This identification is made for the following reasons:

- The key driver for establishing the UTI, UPI, CDE, and LEI was to increase transparency in financial markets, mitigate systemic risk, and protect against market abuse following the 2008 financial crisis. The development of standards for these data elements was in response to a request from the G20 to achieve these objectives.

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<sup>23</sup> See footnote 16.

<sup>24</sup> CPMI and IOSCO (2019), [Governance arrangements for critical OTC derivatives data elements \(other than UTI and UPI\)](#).

<sup>25</sup> [www.leiroc.org](http://www.leiroc.org)

- Most of the principles in the LEI ROC charter are equivalent to the ones defined in the UTI governance conclusions report and UPI governance consultations.
- The LEI ROC already has many members that have the skills and expertise necessary to carry out the oversight functions of the UTI and UPI on top of the oversight functions for the LEI. These members of the LEI ROC already have experience with developing data infrastructure as a public good.
- The type of governance functions that the LEI ROC currently performs vis-à-vis the LEI are of the same nature as the ones that an IGB would need to carry out for other data elements such as UTI and UPI.
- The various data elements are interdependent. For example, the UTI code embeds the LEI code of the emitting entity; the LEI will be used for the identification of the underlying entity of some OTC derivatives products; the LEI is also referenced by several CDE.
- The responses to the public consultations suggest that industry would favour common and lean governance over the UTI and UPI. Adapting the LEI ROC so it is fit for purpose for governance of all of these data elements in a single body further supports the goal of leanness, avoiding the proliferation of governance structures.
- Modifying the LEI ROC will have the advantage of minimising the amount of time needed to set up the permanent governance structure for the UPI, UTI, and CDE.

In coordination with the CPMI and IOSCO's Harmonisation Group (HG), the FSB concludes that adjustments to the current LEI ROC Executive Committee should be made so that authorities from jurisdictions that have mandated the use, or made specific steps to introduce the mandatory use, of the UTI, UPI and CDE are sufficiently represented and empowered within the LEI ROC's Executive Committee to be responsible for preparing proposals and recommendations related to UTI, UPI and CDE matters. At this stage, the FSB believes that it would be appropriate to request the LEI ROC to propose and implement those adjustments that are necessary to ensure that it is fit for purpose, and its governance is sufficiently reactive, to oversee the implementation and maintenance of UTI and UPI (and CDE). These adaptations are not expected to affect the membership or decision-making of the LEI ROC Plenary or the LEI ROC governance related to LEI matters.

In coordination with the HG and following dialogue with the LEI ROC, the FSB anticipates that the LEI ROC can adopt and implement these adjustments by mid-2020.

The transfer of the governance functions for the UTI and UPI to the LEI ROC will ultimately be made, after review by the FSB GUUG, upon the FSB's consideration of the adjustments of the LEI ROC to become the IGB for the UTI and UPI (as well as CDE).

On an interim and time-bound basis (i.e. until the LEI ROC has finalised its adjustment process and the FSB transfers the UTI, UPI and CDE governance to the LEI ROC), the FSB, in coordination with CPMI and IOSCO, has agreed that the FSB GUUG, as augmented by some previous HG members, should take on transitional IGB governance and implementation functions.

## 5. Implementation plan

The FSB notes that implementation of the UPI (as well as of the UTI) will include two distinct aspects: (a) implementation of the governance arrangements for the UPI; and (b) implementation of the UPI in members' OTC derivatives reporting regimes, as appropriate.

The FSB recognises that the legislative process and regulatory implementation will naturally evolve at varying speeds based upon jurisdictional protocols and procedures, independent decision-making processes, and prioritisation of initiatives. The implementation is likely to be staggered across different jurisdictions and it will take time for legal changes to be made and for TRs and reporting entities to adapt.

While respecting the varying timelines for jurisdictions to act, the FSB can recommend that implementation should occur as quickly as possible and that best efforts be undertaken to this effect. Allowing time for legal changes to be made across jurisdictions and a subsequent reasonable period for TRs and reporting entities to adapt, the FSB recommends that regulators implement the UPI Technical Guidance to take effect no later than three years from the publication of this report (i.e. no later than the third quarter 2022).<sup>26</sup>

***The FSB recommends that jurisdictions undertake the necessary actions relevant to their situation to implement the UPI Technical Guidance to take effect no later than three years from the publication of this report (i.e. no later than the third quarter 2022).***

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<sup>26</sup> It is understood that in the meanwhile the necessary steps will have been undertaken to ensure a proper oversight including arrangements with the UPI Service Provider.

## Appendix A List of acronyms and defined terms

|                                   |  |
|-----------------------------------|--|
| ANNA                              | Association of National Numbering Agencies   |
| Authorities                       | National or regional authorities   |
| CPMI                              | Committee on Payments and Market Infrastructures   |
| Data Element                      | <p>A general term for each of the discrete categories of information that might be reported or processed pertaining to an OTC derivatives transaction</p> <p>In the context of the 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> |
| DSB                               | The Derivatives Service Bureau (DSB) Ltd, a subsidiary of ANNA   |
| First UPI Governance Consultation | FSB (2017), <i>Governance arrangements for the unique product identifier (UPI): key criteria and functions: Consultation document</i>  |
| 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  |
| IRG                               | An Industry Representation Group, which could include representatives of, inter alia, reporting entities, derivatives infrastructure providers, or market data providers   |

|   |  |
|---|--|
| International Data Standard   | A Data Standard issued by an International Standardisation Body  |
| International Governance Body                                       | The body identified in sections 4 and 5 of this document as the body allocated to carry out specified governance functions for the UTI, consistent with its mandate and subject to its consensus procedures.   |
| 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   |
| LEI ROC   | LEI Regulatory Oversight Committee   |
| 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   |
| Reference Data Library  | The collection of reference data elements and their values for each product resides in a UPI Reference Data Library administered by the UPI Service Provider(s)  |
| Second UPI Governance Consultation                                  | FSB (2018), <i>Governance arrangements for the unique product identifier (UPI): Second consultation document</i>   |
| 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 UPIs.   |
| 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, 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 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. For avoidance of doubt, as used in this document the term “UTI” refers to a UTI generated in accordance with the UTI Technical Guidance and the UTI Data Standard.  |
| UTI Data Standard           | <p>The Data Standard relating to the UTI. This covers:</p> <ul style="list-style-type: none"> <li>• the UTI structure (“mint” plus “value”) as described in section 3.5 of the UTI Technical Guidance, and</li> <li>• the UTI format as described in section 3.6 of the UTI Technical Guidance.</li> </ul>   |
| UTI Governance Arrangements | Governance Arrangements for the UTI  |
| UTI Governance Consultation | FSB (2017), <i>Governance arrangements for the unique transaction identifier (UTI): Consultation document</i>  |
| UTI Technical Guidance      | <p>The contents of the reports (to be issued in the first instance by 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.</p> <p><i>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.</i></p>                                |

## Appendix B Allocation of functions for the UPI System

|   | UPI Service Provider(s)  | IRG                          | IGB | ISB                            | Authorities |
|---|--|------------------------------|-----|--------------------------------|-------------|
| <b>5.1 Functions related to ongoing generation of UPIs</b>  |  |                              |     |                                |             |
| <b>F5.1.1 Production and routine maintenance</b>  |  |                              |     |                                |             |
| (a) Producing and assigning UPI Codes to OTC derivatives products in conformity with the UPI Technical Guidance, the UPI Data Standard, and any other standards relating to the UPI System that may prevail.        | Operational functions  |                              |     |                                |             |
| (b) Updating and publishing the list of UPI Codes (including historical data) and associated UPI Reference Data Elements for each UPI Code.   | Operational functions including transmission of RDEs to RDLO, <sup>27</sup> Publication of list of UPI Codes and UPI RDE |                              |     |                                |             |
| (c) Maintaining (i) the UPI Reference Data Library (containing the UPI Reference Data Elements) and (ii) the permissible values thereof per asset class/product type.   | Maintain RDL (either as the RDL Operator or through a separate RDL Operator)   |                              |     | Maintaining permissible values |             |
| (d) Establishing and maintaining adequate policies and procedures to ensure conformity with the UPI Technical Guidance, the UPI Data Standard, and any other standards relating to the UPI System that may prevail. | Operational policies/procedures  | Stakeholder input and review |     |                                |             |

<sup>27</sup> A Reference Data Library is required but can be achieved through a UPI Service Provider(s) serving as the RDL Operator or through a separate entity established specifically to serve as the RDL Operator.

|  | <b>UPI Service Provider(s)</b>   | <b>IRG</b>                   | <b>IGB</b> | <b>ISB</b>                     | <b>Authorities</b> |
|--|--|------------------------------|------------|--------------------------------|--------------------|
| (e) Maintaining a history of issued UPI Codes to avoid reuse; to ensure compatibility of old/new versions of the UPI; and to facilitate the performance of historical data analysis.   | Avoiding re-use by testing UPI Codes against historical data and previous versions of UPI. Keeping historical UPI Reference Data and making it available for analysis (either as RDL Operator or through a separate RDL Operator). |                              |            |                                |                    |
| <b>F5.1.2 New UPI protocol</b>   |  |                              |            |                                |                    |
| Establishing and maintaining policies and procedures governing applications for obtaining new UPI Codes. This would include the form and manner of data submission, how users must connect to the UPI Service Provider(s) to provide data and request a UPI Code, and timing.                              | Operational functions  | Stakeholder input and review |            |                                |                    |
| <b>F5.1.3 Review and assessment</b>  |  |                              |            |                                |                    |
| (a) Review the UPI System to accommodate new product types, including deciding whether each addition or change to product types requires a change to associated reference data (e.g., through addition of new allowable values for the UPI Reference Data Elements within given asset class/product type). | Operational functions  | Stakeholder input and review |            | Maintaining permissible values |                    |
| (b) Reviewing the UPI System to maintain granularity, having a process for accounting for errors in issuance of UPIs, and deprecating UPIs that become obsolete.   | Operational functions  | Stakeholder input and review |            |                                |                    |

|  | <b>UPI Service Provider(s)</b> | <b>IRG</b>                   | <b>IGB</b>   | <b>ISB</b>                              | <b>Authorities</b> |
|--|--------------------------------|------------------------------|--|---|--------------------|
| (c) Periodically assessing the distribution of products within the classification system and ensuring that products are assigned their proper taxonomical classification when appropriate.   | Operational functions          | Stakeholder input and review |  |   |                    |
| <b>5.2 Functions associated with the oversight of the UPI System</b>   |                                |                              |  |   |                    |
| <b>F5.2.1 Oversight of production and routine maintenance</b>  |                                |                              |  |   |                    |
| (a) Coordinating as necessary and where appropriate with market participants, UPI Service Providers (if there are more than one), third parties who issue any underlier identifiers used in the UPI Reference Data Library, infrastructure providers, and regulators with regard to changes in or introductions of the identifiers of underliers or other UPI Reference Data Elements. |                                | Stakeholder input and review | Coordination role  |   | Consultation       |
| (b) Issuing recommendations for further updates or changes to UPI Reference Data Elements or related data structures.  | Input                          |                              | Oversight<br>Issuing technical standards                         |   |                    |
| (c) Overseeing the technical decisions of any UPI Service Provider and the RDL operator and ensuring that there is a mechanism for responding to complaints and inquiries.   |                                | Lead role                    |  |   |                    |
| (d) Coordinating with international regulatory oversight bodies and Authorities.   |                                | Stakeholder input to IGB     | Lead role  |   |                    |
| <b>F5.2.2 Functions associated with implementation</b>   |                                |                              |  |   |                    |
| (a) If the FSB were to determine that there should be an International Data Standard for the UPI Code and/or any UPI Reference Data Elements, taking necessary steps to achieve such a standard.   |                                | Stakeholder input to IGB     | taking necessary steps to achieve an International Data Standard | Issuance of International Data Standard |                    |

|   | UPI Service Provider(s) | IRG  | IGB           | ISB | Authorities                          |
|---|-------------------------|--|---------------|-----|--------------------------------------|
| (b) Recommending a coordinated approach for UPI implementation by Authorities, including timing aspects.  |                         |  | Lead role     |     |                                      |
| (c) Implementation of the UPI through Authorities' rules and regulatory oversight.  |                         |  | Monitoring    |     | Supervisory and regulatory functions |
| <b>F5.2.3 Functions associated with oversight of ongoing operation</b>  |                         |  |               |     |                                      |
| (a) Disseminating UPI Technical Guidance. The UPI Technical Guidance, as addressed to Authorities, shall be disseminated to facilitate its broad application.   |                         |  | Disseminating |     |                                      |
| (b) Overseeing the UPI Service Provider(s) and the monitoring of their adherence to the UPI Technical Guidance, the UPI Data Standard, any other standards relating to the UPI System that may prevail, the UPI Governance Arrangements, and any terms or conditions forming part of such arrangements. |                         | Monitoring<br>Stakeholder input to IGB                                     | Oversight     |     | Supervisory and regulatory functions |
| (c) Taking any action with regard to the provision of services by the UPI Service Provider(s), including applicable procedural safeguards.  |                         | Stakeholder input and frontline communication with UPI Service Provider(s) | Oversight     |     |                                      |
| (d) Monitoring implementation of the UPI by Authorities. There may be the need to monitor implementation at the global level and identify implementation issues which hinder a harmonised approach.   |                         |  | Monitoring    |     |                                      |

|   | <b>UPI Service Provider(s)</b> | <b>IRG</b>   | <b>IGB</b>                               | <b>ISB</b>       | <b>Authorities</b>                            |
|---|--------------------------------|--|--|------------------|---|
| (e) Coordinating the analysis of and response to issues relating to the UPI Data Standard (and any other standards relating to the UPI System that may prevail), UPI Technical Guidance updates and maintenance with other relevant standard-setting bodies, standards development organisations, regulators, or Authorities. This may include coordination relating to changes in or introductions of the identifiers of underliers. |                                | Stakeholder input  | Oversight                                | Standard-setting |   |
| (f) Receiving and considering any recommendation by a UPI Service Provider for further updates or changes to reference data or related data structures.   |                                | Lead role on 'receiving' and advisory role to IGB on 'considering' | Lead role on 'considering'               |                  |   |
| (g) Considering updates to the UPI Technical Guidance and the costs and benefits of updates to the UPI Technical Guidance.  |                                | Stakeholder input to IGB   | Lead role                                |                  |   |
| (h) Reviewing use of the UPI by market participants, UPI Service Providers and regulators.  |                                |  | Monitoring of regulators' use of the UPI |                  | Review of market participants' use of the UPI |
| (i) Processing requests for information and providing clarification on the UPI Technical Guidance.  |                                | Stakeholder input  | Oversight                                |                  | Supervisory and regulatory functions          |
| (j) Maintenance of technical aspects of the UPI Data Standard (and any other standards relating to the UPI System that may prevail) as an International Data Standard.  |                                |  | Consultation                             | Standardisation  |   |

## Appendix C      **Members of the GUUG**

### **Co-chairs**

**François Laurent**  
Principal Adviser, DG Statistics  
European Central Bank

**Gergely Koczan (until September 2019)**  
Principal Market Infrastructure Expert  
European Central Bank

**Eric Pan (until July 2019)**  
Director, Office of International Affairs  
US Commodity Futures Trading Commission

**Nancy Doyle (until July 2019)**  
Senior Special Counsel  
Office of International Affairs  
US Commodity Futures Trading Commission

### **Canada**

**Aaron Unterman**  
Senior Legal Counsel, Derivatives Branch  
Ontario Securities Commission

### **France**

**Philippe Guillot**  
Executive Director, Markets Directorate  
Autorité des marchés financiers

### **Germany**

**Olaf Kurpiers**  
Senior Policy Officer  
Securities Supervision/Asset Management  
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)

### **Japan**

**Tomoyoshi Teramura**  
Director, International Financial Markets  
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### **Russia**

**Irina Pantina**  
Economic Adviser, Financial Stability Department  
Central Bank of the Russian Federation

### **UK**

**Sebastiano Daros**  
Senior Manager, Financial Market Infrastructure Directorate  
Bank of England

|  |   |
|--|---|
| <b>US</b>  | <p><b>Dan Bucsa</b><br/>Commodity Futures Trading Commission</p> <p><b>Michael Gaw</b><br/>Assistant Director<br/>Division of Trading and Markets, Office of Market Supervision<br/>Securities and Exchange Commission</p> <p><b>Thomas Brown</b><br/>Associate Director<br/>Office of Financial Research<br/>Department of the Treasury</p>  |
| <b>European Central Bank</b>                     | <b>Helmut Wacket (until September 2019)</b><br>Head, Market Innovation and Integration Division   |
| <b>European Commission</b>                       | <b>Bartosz Dworak</b><br>Senior Policy Officer, Financial Markets Infrastructure  |
| <b>European Securities and Markets Authority</b> | <b>Olga Petrenko</b><br>Senior Policy Officer, Market Integrity Team  |
| <b>CPMI</b>                                      | <b>Philippe Troussard</b><br>Member of Secretariat  |
| <b>IOSCO</b>                                     | <b>Tim Pinkowski</b><br>Policy Adviser  |
| <b>Observers</b>                                 | <p><b>Marc Bayle (until May 2019)</b><br/>Co-chair of CPMI-IOSCO Data Harmonisation Working Group<br/>(Director General, Market Infrastructure and Payments, European Central Bank)</p> <p><b>Markus Mayers (since June 2019)</b><br/>Acting Co-chair of CPMI-IOSCO Data Harmonisation Working Group<br/>(Adviser, Division Market Innovation and Integration, European Central Bank)</p> |
| <b>FSB</b>                                       | <p><b>Cristina Picillo (since June 2019)</b></p> <p><b>Laurence White (until May 2019)</b></p>  |

## **TASG**

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#### **Robert Stowsky (co-chair)**

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