



afme/

asifma

sifma

Global Foreign Exchange Division
39th Floor
25 Canada Square
London
E14 5LQ

Australian Securities and Investment Commission (ASIC)
Level 5, 100 Market Street
Sydney NSW 2000
Australia

By email: Michael.Cleland@asic.gov.au; Ben.Durnford@asic.gov.au

Hong Kong Monetary Authority (HKMA)
55th Floor, Two International Finance Centre
8 Finance Street
Central, Hong Kong

By email: pansy_kp_pang@hkma.gov.hk; pyklee@hkma.gov.hk

Monetary Authority of Singapore (MAS)
10 Shenton Way MAS Building
Singapore 079117

By email: ken_nagatsuka@mas.gov.sg; kelly_teo@mas.gov.sg

Securities and Futures Commission (SFC)
35/F, Cheung Kong Center
2 Queen's Road
Central, Hong Kong

By email: ddoo@sfc.hk; ekwcheng1@sfc.hk

13 June 2017

Re: Implementation of Unique Transaction Identifier (UTI) Requirements

Dear Sirs, Mesdames

The Global Foreign Exchange Division (GFXD) of the Global Financial Markets Association (GFMA) welcomes the opportunity to provide feedback on the adoption of the CPMI-IOSCO Technical Guidance on Harmonisation of the Unique Transaction Identifier (UTI).

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial

Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants,¹ collectively representing over 80% of the FX inter-dealer market.² Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

Introduction

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. Many of the current legislative and regulatory reforms have had, and will continue to have, a significant impact upon the operation of the global FX market, and the GFXD wishes to emphasise the desire of our members for globally co-ordinated regulation which we believe will be of benefit to both regulators and market participants alike.

The global FX market presents some unique challenges for trade reporting when compared with other asset classes. FX forms the basis of the global payments system and as such both the number of market participants and the volume of transactions are high. Notional turnover, per the last BIS report, is US\$5.1 trillion/day.³

The high number and diversity within the participants of the global FX market presents many practical challenges in ensuring that those that are required to report can do so. As the FX market is global in nature, the reporting of a transaction will often be required to multiple jurisdictions, and any variation in the trade reporting requirements will be required to be adopted by either one, or both, parties to the transaction usually resulting in increased costs and increased operational risks.

The GFXD has consistently promoted and supported efforts to align global trade reporting standards as we believe that consistent trade reporting requirements offer regulators the best opportunity to oversee trading practices and market transparency.

The GFXD and its members are strongly supportive of the work that is being undertaken by CPMI-IOSCO to align globally key trade reporting data elements, including the Unique Transaction Identifier (UTI). We believe that global adoption of the Technical Guidance issued by CPMI-IOSCO will increase data quality, assist with cross-border data aggregation, and also reduce the technical burden on market participants.

We note that ASIC, HKMA and MAS all delayed their own implementation of the UTI 'share and pair' requirement, in order to allow for the publication of the CPMI-IOSCO Technical Guidance, a decision that was welcomed by the industry. Given that the Guidance has now been published, we are taking this opportunity

¹ Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays Capital, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, Nomura, RBC, RBS, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

² According to Euromoney league tables.

³ <http://www.bis.org/publ/rpfx16.htm>

to highlight some concerns surrounding implementation of the Guidance and to promote global coordination in this area.

Governance arrangements

At the end of April, the Financial Stability Board (FSB) held a roundtable on governance arrangements for the UTI, following the CPMI-IOSCO exercise, at which GFXD was present. We responded to the FSB's consultation on the subject⁴ jointly with the International Swaps and Derivatives Association (ISDA) and we understand that ISDA has already shared a copy of our response with the recipients of this letter. In our response, we agreed that the data standard for UTI should be overseen by an international body such as the International Organisation for Standardisation (ISO). We then proposed that there should be a centralised governing body of representatives from the FSB, CPMI, IOSCO, industry, trade associations and regulatory authorities to oversee operational and implementation issues and that the FSB representative on this body should also be responsible for coordination between authorities and ensuring consistent application of the Guidance.

Our rationale for this model was that, although the data standard itself should be relatively simple to oversee, requiring few (if any) updates over the coming years, there needs to be careful consideration, at a global level, as to how and when to implement the Guidance. Clear timelines will be needed by both regulators and market participants to allow them to set aside financial and technical resources. There are also outstanding questions, at a very detailed level, about how the Guidance should be interpreted, which we outlined in more detail in our response referenced above. In addition, it may be the case that transitional provisions are needed to move smoothly from the existing requirements to the new single standard. All of these require central, global coordination, in the form of 'project management' for this undertaking. Therefore, it is crucial, especially given the cross-border nature of FX, that suitable governance arrangements as described above are put into place before any jurisdiction(s) begin to consider implementation.

Global implementation

While the governance arrangements are being agreed and established, the industry is keen to engage in discussions regarding implementation of the Guidance. There are several considerations to take into account:

- Transition from existing standards: In the current trade reporting landscape, there are two distinct standards for transaction identifiers:
 1. The Unique Swap Identifier (USI), as outlined in the US Dodd Frank Act⁵. The USI is composed of a unique alphanumeric code assigned to the generating party by the regulator, and an additional alphanumeric code from the generating party to ensure the uniqueness of the identifier, with a combined total of 42 characters.
 2. The European Trade ID, as outlined in EMIR. The Trade ID is composed of up to 52 alphanumeric characters, and there are several methods by which it may be constructed⁶.

⁴ <http://www.gfma.org/correspondence/item.aspx?id=907>

⁵ 17 CFR Part 45.5

⁶ Commission Implementing Regulation 1247/2012 and TR Question 18 of the ESMA Q&As, available at https://www.esma.europa.eu/sites/default/files/library/esma70-1861941480-52_qa_on_emir_implementation.pdf

Currently, while many regulators will accept either the US or EU-style identifier, the US regulators, for instance, will only accept the USI standard. This means that firms conducting cross-border trades with a counterparty in the US could already be required to accept and use two distinct Trade ID formats, depending on the reporting obligation(s) to which each individual trade is subject. The CPMI-IOSCO Guidance introduces a third UTI standard that is distinct from either of the existing transaction identifiers. The GFXD and its members are therefore concerned with individual jurisdictions implementing this new third standard without similar commitments from other key regulators, transitional provisions and/or coordinated timelines for global adoption.

- Publication of final rules: Once all of the required regional regulators have made such a commitment to implement the Guidance, we suggest that each regulator proposes changes to their regulatory reporting rules to implement the Guidance. In order to avoid unnecessary conflicts, and ensure consistent application of the Guidance, it is important that this process is given a suitable timeframe and is coordinated by the global governance body.
- Technical changes required: Once jurisdictions begin to amend their rules, both regulators and market participants will need a period of time to implement the changes from a technical perspective before go-live. For some larger firms, this may be a relatively simple process. However, given the type and number of market participants that trade FX, there is a very wide spectrum of market participants to consider, for example trading venues, clearing houses, middleware, etc. Technical changes will have to be tested both internally and between entities, prior to go live. If there is a staggered implementation between jurisdictions this will also have to include transitional technical arrangements to allow different standards to co-exist for a period.
- Fragmented regulatory landscape: Even if sufficient allowances are made to accommodate the existing transaction identifiers to co-exist for a transition period, there are additional competing/conflicting aspects of local regulations (for example, which trades or lifecycle events should be reported, by which counterparties, and by when) that must be kept in mind during this project. For instance, Dodd Frank Part 45 reporting is required within 30 minutes of execution, whereas the expanded Hong Kong reporting regime (from July 2017) will have a T+2 deadline. This requires the transaction identifier generating party to be aware of the obligations to which its counterparty may be subject and to generate and communicate a transaction identifier in sufficient time and suitable format, for the counterparty to meet those deadlines. This is particularly acute for the FX market, where 64.6% of trades are executed cross-border⁷. While it is not expected that implementation of the Technical Guidance will harmonise these reporting inconsistencies, we encourage regulators to take them into account when planning a global roll-out of the new requirements.
- Scope of affected counterparties: The introduction of UTI 'share and pair' requirements (whether in accordance with the CPMI-IOSCO Guidance or not) by ASIC, HKMA and MAS should also be considered in light of the effect on local counterparties. Although they will need to make technical changes to accommodate the Guidance, as outlined above, market participants who are currently subject to reporting obligations in other jurisdictions will be familiar with the process of generating,

⁷ According to the BIS 2016 FX Survey <http://www.bis.org/publ/rpfx16.htm>

communicating and consuming transaction identifiers. However, both regulators and experienced reporting parties will need to ensure that those who are now going to be brought in scope of the requirement are equipped to do so. This is particularly important given that many smaller counterparties prefer to generate (rather than consume) transaction identifiers, particularly if they are doing so manually, and not using automated methods such as Swift. It is critical that the quality and timeliness of reporting data is not impacted by these counterparties' readiness for the new regime.

- LEI uptake: It must be noted that the Guidance states that a UTI should be generated using the generating party's Legal Entity Identifier (LEI). The requirement under MiFID in Europe for all in scope counterparties to have a LEI⁸ comes into force in January 2018 and has highlighted the extent to which this standard has not been widely adopted outside countries where its use is mandated. As noted above, many smaller counterparties would prefer to generate UTIs but would not be able to do so without a LEI. It may therefore be the case that the project plan for global implementation of the UTI Technical Guidance should be coordinated with education on the importance and usage of LEIs.

Timing

Finally, keeping the above considerations in mind, we propose that the global implementation of UTI Technical Guidance is suitably timed to allow both the industry and regulators to devote sufficient attention and resources to the project. The implementation timelines should be coordinated at a global level, and allow for amendments to existing reporting regulations, market outreach, technical changes, and transitional provisions.

As we have outlined, for smaller counterparties these changes may be a much more significant challenge. It should also consider the ongoing G20 regulatory programme, including the specific regulatory deadlines that are forthcoming in individual jurisdictions, such as MiFID II. This globally agreed roadmap will need to allow both market participants and authorities to plan implementation and allocate resources to ensure a smooth roll out and maximum regulatory benefit.

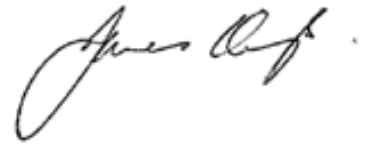
In conclusion, while the market is fully supportive of the CPMI-IOSCO data harmonisation workstreams and the adoption of the Technical Guidance on UTIs, the scale of the implementation project is considerable. Robust governance arrangements will be key and transitional provisions will be required to prevent disruption as each jurisdiction amends their reporting rules. Smaller counterparties in particular will require time and support to make the necessary technical changes, including applications for LEIs. The fragmented reporting landscape in terms of scope and timing of jurisdictional reporting requirements are also a complicating factor. Therefore, we request that regulators take the above considerations into account and that the delay to UTI

⁸ MiFIR Article 26 requires parties to report their transactions to their local Competent Authority. Article 26(6) requires reporting parties to identify clients in these reports using LEIs, regardless of where the client is based or regulated. Therefore, reporting parties must ensure that their client has a LEI prior to trading, in order that they can report the trade.

'share and pair' requirements in Australia, Hong Kong and Singapore is extended to allow for global coordination of implementation.

We appreciate the opportunity to share our views on this subject. Please do not hesitate to contact John Ball on +852 2531 6512, email jball@gfma.org, or Andrew Harvey on +44 (0) 203 828 2694, email aharvey@gfma.org, should you wish to discuss any of the above.

Yours faithfully

A handwritten signature in black ink, appearing to read "James Kemp". The signature is fluid and cursive, with a large initial 'J' and a trailing flourish.

James Kemp
Managing Director
Global Foreign Exchange Division, GFMA