SWIFT Response to
CPMI IOSCO consultative document
Harmonisation of the
Unique Transaction Identifier

30 September 2015

SWIFT welcomes CPMI IOSCO consultation on seeking guidance for a uniform global unique transaction identifier (UTI), and thanks CPMI IOSCO for the opportunity to provide comments.

SWIFT is a member-owned, cooperative society headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholding Users, comprising over 3,000 financial institutions. We connect over 10,800 connected firms, across more than 200 countries and territories. A fundamental tenet of SWIFT's governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

SWIFT believes it is important that the question of an agreed universal scheme for generating UTIs should be addressed urgently as the number of transactions that are assigned UTIs is growing. SWIFT is keen to see the emergence of a clear recommendation that respects the complexities of the environment but also results in a stable structure that will not change in terms of maximum length or allowed characters, making it possible to validate any given UTI's reliably. Any scheme should also give priority to ease of implementation and stability over time.

Experience with other identification standards – some managed by SWIFT - and data management best-practice suggests that embedding 'intelligence' into an identifier, while sometimes appealing in the short term, can store up problems for the future, since the assumptions that underlie the intelligence may not hold permanently. SWIFT would therefore recommend as a principle that the UTI be as much as possible 'dumb' – a pure identifier – and that any meaningful data be associated with the transaction itself, using distinct attributes with clear definitions. We have not answered all the questions in the consultation. Where we have answered, it is to reinforce or build on the concerns set out above.

We thank CPMI IOSCO again for the opportunity to comment. We would very much welcome the opportunity to discuss these important issues with you further, and would readily make ourselves available, should that be of interest.

Natasha de Terán
SWIFT | Head of Corporate Affairs
Tel: + 44 20 7762 2151
Mob: + 44 7780 483 467 www.swift.com

Question 1: Are there jurisdictional differences about what is a reportable transaction that respondents believe will cause challenges for UTI generation? Please describe the differences and challenges.

No, jurisdictional differences should have no bearing on UTI generation.

Question 2: Are there further harmonisations (that could potentially be applied) to the rules that define which transactions are reportable that would reduce or eliminate the challenges around generating UTIs? In answering this question, please also describe the challenge(s) and identify the jurisdiction(s).

No, although further harmonisation might be beneficial, it would not impact the specific challenges of UTI generation.

Question 3: Do respondents agree with the proposed approach to UTI allocation for package transactions? Under what circumstances should the entire package have a single UTI?

Yes, we agree with the proposed approach to UTI allocation for package transactions.

Question 4: Are there other approaches to UTI allocation for package transactions that should be considered? If so, please describe.

We are not aware of any at this point.

Question 5: Which, if any, of the options for identifying and linking components of packages do you favour and why? In particular, please consider the extent to which the options achieve traceability?

We believe that the best option is (ii) - having a field in each package transaction report that links the separate reports that represent a package - this field being separate from the UTI – because it is relatively straightforward to implement and is more transparent for data users (no processing is required to identify the components of a package).

Question 6: Do you see any difficulties in implementing any of the proposed options for identifying and linking components of packages? If so, please describe.

We would be wary of option (i) because – as acknowledged in the paper – it imposes an internal structure, and begins to embed meaning into the UTI, contrary to data-management best practice. Also, it would require the generator to know definitively, at the moment of generation, the package to which the transaction belongs. Adding the transaction to a package post-hoc, or removing it, might necessitate a change to the UTI, which would defeat the principle of UTIs being attached to a given transaction once and remaining stable over time.

Question 9: Different jurisdictions may have different rules (including case law) defining which events would require a new UTI to be created. Are respondents aware of any such differences? What difficulties do these differences create in the creation of UTIs? If jurisdictions' approaches to when a new UTI is required cannot be harmonised, are there other steps that could be taken to avoid double-counting of transactions reported to different TRs?

Ideally, we favour harmonisation between jurisdictions to eliminate such ambiguities.

Question 10: Do respondents agree with the analysis of linking related transactions through lifecycle events?

SWIFT agrees with the analysis of linking related transactions through lifecycle events. However, requiring reporting entities to specify successor and predecessor UTIs may lead to redundancy and ambiguity. We therefore favour specifying predecessors only. This should also be easier to implement because it only requires the new record - for the new transaction - to be reported, which will include a link to its predecessor. The data management system that aggregates the data should be able to link transactions together given this information without imposing a need on the reporting entity to provide successor details.

Question 15: Can respondents suggest UTI constructs that would achieve embedding the link information about lifecycle events into the UTI while still compliant with the authorities' desired characteristics for the UTI?

No, we are not aware of any scheme to achieve this, nor would we recommend this approach, which embeds 'intelligence' in the identifier, contrary to established best practice.

Question 16: Are there additional issues that should be taken into account in considering the responsibility for generating UTIs?

Option 3, as described in the detailed section, imagines an algorithm that would allow either (or any) party to generate independently the same UTI for a transaction. This would simplify the picture, because it would not matter which party generated the UTI or in what order, and the UTI would not need to be conveyed between the two parties for reporting; both could generate the UTI independently and arrive at the same result. If Option 3 proves not to be achievable, SWIFT would favour greater harmonisation of rules if possible (Option 1). Option 2 would likely lead to ambiguities and problematic exceptions.

Question 17: Would it be beneficial if the guidance did not provide for the harmonisation of rules for the responsibility for UTI generation with respect to trades that are not cross-border? Would there be disadvantages to this approach? Does the analysis of this idea depend on which option is used for cross- border trades?

Ideally the approach should be universal and applied consistently whether cross-border or domestic.

Question 18: Do respondents agree with the high-level assessment of the Option 1 proposal for the responsibility for generating UTIs? Please explain why or why not.

Question 19: Are there additional considerations relevant to the Option 1 proposal for the responsibility for generating UTIs? If so, please describe.

Question 20: Is a problem of enforceability created if the UTI was generated by an entity outside the jurisdiction of one of the counterparties?

Q18 - Q20: the assessment looks sensible and complete. SWIFT does not see Q20 as a concern, as long as effective harmonisation is achieved.

Question 21: What are respondents' views on the proposed Option 1 hierarchy for the responsibility for generating UTIs? Are the steps necessary and sufficient? Are they defined well-enough? Are there alternative ways of achieving Step 6?

SWIFT would favour a simple mechanical rule, such the one described at the end of the table - reverse the LEIs and order them alphabetically. The first party of the two is the generator. This is quick and easy to compute, unambiguous, and does not rely on the interpretation of complex rules.

Question 22: Is it desirable to include the sort of flexibility represented by Steps 1–5? If so, where in the hierarchy should the flexibility be provided?

Where a 3rd party (CCP or trading platform) is involved it may make sense to delegate the responsibility to the platform. Elsewhere, a simple universal rule as in 6 might suffice. This would be more transparent than allowing bilateral agreements although these could be accepted as exceptions if they already exist.

Question 24: Does the proposed Option 1 hierarchy for the responsibility for generating UTIs work across different reporting jurisdictions, particularly considering differences such as single-sided and double-sided reporting?

Option 1 implies that in a single-sided scenario, the reporting entity may have to wait for its counterpart to generate and communicate the UTI before reporting (that is, if the rule for determining the generator does not yield the same result as the rule for selecting the reporting party). The same holds for one side in a double-sided scenario, i.e. an exchange of confirmations could be required first.

Question 25: Do respondents agree with the high-level assessment of the Option 2 proposal for the responsibility for generating UTIs? Please explain why or why not.

Question 26: What are respondents' views on the feasibility of the Option 2 proposal to the responsibility for generating UTIs? Are there particular issues for respondents that operate in more than one jurisdiction? How serious is the possible ambiguity in Option 2 and are there efficient and suitable workarounds?

Question 27: Are there additional considerations relevant to the Option 2 proposal for the responsibility for generating UTIs? If so, please describe.

Q25-27: SWIFT's ideal solution is option 3. Option 2 might be required if jurisdictions cannot agree to harmonise sufficiently. But if this is the case, reporting will inevitably be more complex and likely more error-prone for reporting institutions.

Question 30: Do respondents agree with the assessment of the Option 3 approach for the responsibility for generating UTIs?

Yes, we support option 3 in principle if it can be achieved in practice.

Question 39: Should the UTI be solely a dummy code, i.e. a value that contains no embedded intelligence? Why or why not? Assuming that other data elements regarding a transaction (e.g. the identification of the counterparties, the date and time of execution etc.) will be captured by the report to the TR, is it necessary to reflect such elements in the UTI?

As noted elsewhere, SWIFT recommends the use of 'dumb' codes for identifiers. Experience with other identification standards and data management best-practice suggest that embedding 'intelligence' in an identifier, while sometimes appealing in the short term, can store up problems for the future, when the assumptions that underlie this intelligence may no longer hold.

Question 40: Should the details of how to construct the ID value be defined and, if so, what approach (e.g. UUID) should be used?

Yes, the algorithm should be fully defined (ideally supported by an open source 'reference implementation'), particularly if the 'Option 3' notion of a UTI that can be generated independently by different parties can be realised.

Question 46: Can respondents suggest algorithms that would achieve the Option 3 approach to generating the UTI?

See answer to Q39.

Question 48: Should the UTI be case-sensitive (allowing for upper- and lower-case characters to be regarded as distinct)? Should the UTI avoid using certain alphanumeric characters that resemble others? For example, do you think it advisable for the UTI system to avoid using the digits "0" and "1" so as to avoid confusion with the letters "O" and "I" (or vice versa)?

Machines do not confuse similar-looking letters and numbers. However if we imagine a use-case in which, for example, human operators regularly read out UTIs over the phone, indeed these possible confusions should be avoided. However, we expect such scenarios to be comparatively rare, so not a major consideration.

Question 51: Should the length of UTI be of fixed or should only the maximum length be indicated?

The maximum length should be sufficient, as long as a check digit is included to help guarantee consistency when used in manual processes such as re-keying. Maximum length should respect the longest of UTIs so far issued under existing schemes, to ensure that legacy UTIs can still be persisted or exchanged in data structures designed according to the new standard.

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