SWIFT Response to CPMI-IOSCO on

"Second consultative report - Harmonisation of the Unique Product Identifier"

30 September 2016

SWIFT welcomes the second CPMI-IOSCO consultative report on harmonisation of the unique product identifier (UPI), 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 more than 11,000 connected firms, in 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.

If you wish to discuss any aspect of our response or to take up our offer of mapping and gap analysis mentioned in our response to question 1, please do not hesitate to let us know.

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Question 1: *Do you believe that the data elements within each asset class described above are appropriate? Why or why not? If there are additional subcategories that you believe should be included for one or more asset classes, please describe them and discuss why you believe they should be included.*

The ISO 20022 Business Model provides industry agreed definitions for financial concepts. The components and elements, as well as the relationships between them, are defined. SWIFT would be happy to perform a mapping and gap analysis to compare the data elements described within each asset class in the consultation paper against the ISO 20022 Business Model. We would extend the ISO 20022 business model if details are missing, however, we believe that the gap, if any, should be very small as the ISO 20022 transaction reporting messages for derivatives that should be aligned with these data elements have only recently been submitted for registration. To avoid confusion and facilitate consistency and data quality, it will be in the best interests of the regulatory community and of the reporting firms to base the UPI data model on the ISO 20022 Business Model.

Question 7: *What are the arguments for and against the use of a dummy UPI code or an intelligent UPI code, or having both types of code coexisting?*

We believe that an "intelligent" code contradicts some of the principles defined in section 3 of the consultation paper, such as neutrality, persistence, long-term viability and extensibility. To stand the test of time, UPI interpretation must not be misleading. It is preferable to apply a neutral code with a set of defined reference data attributes, which can change over time without requiring a change to the code itself. The potential for incorrect interpretation of the UPI from any intelligence contained in the code would diminish its benefits. Best practice today is not to embed any intelligence in codes.

Question 9: *What are the minimum and maximum lengths (in terms of number of characters) that you believe the industry could accommodate for a UPI code system? How does this vary between dummy and intelligent codes? What do you believe is the optimal number of characters, and why?*

We believe there is no optimal length of a code in current systems as the length of code in a field has a very minimal impact on the system, if at all. The length of the code should be defined to simplify issuance and ensure that there is never a lack of new codes.

Question 11: *Do you believe that UPI codes should have an inherent means of validation? For example, should UPI codes include a check digit? Why or why not? Does this vary between dummy and intelligent codes and/or depend on the encoding method used in an intelligent code?*

It is common practice in reference data standard codes to include a check digit. For example MOD 97-10, in accordance with ISO/IEC 7064, applied in ISO 17442, the Legal Entity Identifier standard. Use of a check digit reduces the possibility of mis-keying when codes are entered manually.

Question 12: *Another means of having a simple, partial validation for a UPI code would be for all UPI codes to be of uniform length: thus, any code that was not of the required length could be recognised as prima facie invalid. Do you believe that all UPI codes should be of uniform length? Why or why not? Or are optimal UPI codes of one asset class likely to be longer or shorter than optimal UPI codes for other asset classes? If so, do you believe that extra dummy characters should be inserted into the shorter codes to make them of the uniform length? Why or why not?*

Based on our experience in reference data standards and transaction processing systems, a fixed length UPI would be preferable as it will be easier to apply in the many different systems and messages where it will be used.

Question 15: *Would it be preferable for the UPI code to use only Roman letters, only Indo-Arabic numerals, or a combination of the two? Why? If Roman letters are included in the UPI code system, should they avoid being case-sensitive? If the UPI code system uses both Roman letters and Indo-Arabic numerals, should the system not disallow particular characters that could be mistaken for each other (the lower-case letter "l" and the number "1", the digit "0" and the upper-case letter "O" etc).*

We see no technical obstacle to using alpha-numeric characters for the UPI. Based on our experience with ISO 17422, the Legal Entity Identifier standard, the combined use of letters and numerals does not pose any significant problem to the systems applying the LEI code. We would recommend that letters be treated as case insensitive.

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