



Association of National Numbering Agencies srl

29 September 2016

Association of National Numbering Agencies response to the second CPMI – IOSCO Consultative report on Harmonisation of the Unique Product Identifier

The Association of National Numbering Agencies ('ANNA') welcomes the opportunity to comment on the second consultative report on harmonisation of the UPI. ANNA is a global trade association and has in excess of 120 member countries/jurisdictions; all of which are committed to facilitating the unique identification and classification of financial instruments to support the global financial markets. ANNA is fully supportive of consistent and harmonized data aggregation for derivatives transaction data as this complements our current activities in the scope of other financial instruments.

Before addressing the questions outlined in the consultation paper, there are a number of key principles that ANNA and its membership seek to highlight for your further consideration.

These are summarized below:

- ANNA firmly believes there is a need for a complementary identifier system/framework to emerge out of the CPMI-IOSCO process and the OTC Derivatives identifier work (using the ISO 6166 standard - International Security Identification Number ('ISIN')) that is being undertaken in parallel under the umbrella of the ISO/TC68/SC4 Study Group for OTC Derivatives;
- ANNA is in disagreement with the proposed concept that a single data element can both identify and classify a derivative (or any other financial instrument for that matter). If we look at how identification and classification is handled in case of cash securities, there are two globally accepted ISO standards used to meet these objectives. The ISO 6166 standard - ISIN to uniquely identify a financial instrument and the ISO 10962 standard - Classification of Financial Instrument ('CFI') to describe the attributes/characteristics i.e. classification of the instrument. The existence and widespread use of these two standards across the global financial markets must be considered in the context of the UPI solution being derived;
- Furthermore, it is the view of ANNA that there must be a clear distinction between the definitions and use of the terms 'identification' and 'classification'. The term 'identification' should be used when uniquely identifying a financial instrument. Whilst 'classification' should be used to describe the attributes of that unique instrument. Instrument identification and classification are both key, essential elements necessary to achieve a correct level of aggregation but the two are distinct and should not be treated as a single concept;
- The future UPI framework needs to accommodate differing levels of granularity to ensure the resulting solution serves the global financial markets; whilst also meeting regulatory oversight requirements. We suggest that the consultative study being undertaken goes further than what is currently planned. The UPI should look to support multiple levels of granularity – achievable through using multiple UPIs;

- Directly linked to the above comment, the work and findings of the TC68/SC4 Study Group for OTC Derivatives should be assessed in more detail. The results of this Study Group will illustrate how an instrument identification methodology (ISIN), in conjunction with a classification methodology (CFI), create a more granular result. Using an identification scheme linked to a classification scheme better serves regulatory and industry needs. We feel that this level of granularity should be factored into the conceptual UPI solution being derived;
- We also note that as part of the work and identified solution from the TC68/SC4 Study Group, the OTC Derivative ISIN solution includes the generation of the CFI classification code as part of the issuance process – accessible and can be used by all market participants;
- It is the view of ANNA that any proposed Unique Product Identifier ('UPI') be solely a unique instrument identifier and that this identifier should then be associated with the classification attributes of that instrument through a separate coding scheme;
- When reviewing the consultation paper, a concern raised was that the consultation paper is focused solely on the subject of uniquely identifying OTC Derivative instruments. ANNA's view is that any UPI solution being derived should factor in and be workable for all financial instruments. We strongly encourage harmonization of data elements to permit the aggregation of data deemed essential to achieving risk awareness and understanding. Uniformity and harmonization in the area of financial instrument identification and classification is a key principle to adhere to, irrespective of the instrument type. Risk assessments associated to an entity can easily be transposed across many different assets classes – so this should be factored into the decision process;
- ANNA as an approved ISO Registration Authority, has a proved track record in the area of financial instrument identification and classification. With almost 25 years of overseeing the assignment of ISO identifiers and instrument classification schemes, we strongly suggest that proven methods, the ISIN and CFI codes, are leveraged in the context of the UPI study. These two ISO standards have proven themselves to be sufficiently comprehensive in scope, yet flexible enough to be 'fit for purpose' across all asset classes.

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.

ANNA believes that a key objective of this consultation exercise should be to ensure that harmonisation and uniformity are adhered to concepts and principles. We therefore wish to discourage any new initiatives that may have the effect of creating a new financial instrument classification scheme that would need to be implemented in the financial markets. As noted previously, the ISO 10962 (CFI) classification scheme should be leveraged to achieve the desired result. Our key message is, 'let's not reinvent the wheel'; but to use purposely designed ISO Standards that have been created through a proven ISO development process, endorsed and used extensively by the international community. The development of a UPI must take into consideration a complementing, but separate classification scheme.

Question 2: Do you believe generally that the value "Other" is required in certain data elements? If so, which ones and why?

ANNA believes the value 'Other' should be avoided where possible; although we acknowledge that it will be necessary. If/when there is a need to classify certain elements with 'Other' – some additional values should be associated with that value to add more granularity on 'what' exactly is being described.

Question 3: For an OTC derivative product based on a custom basket of securities or assets, please provide your view of the optimal means of representing that OTC derivative product. Do you believe that it is practical to include all of the underlying securities or assets and their risk weights in the UPI reference data? If not, how do you believe that the elements of the custom basket and their risk weights should be reported to a TR?

Our view on this is that if one or more underlying security can be identified using an existing ISO identifier, i.e. an ISIN, this should be used. The ISO 6166 standard (ISIN) is fit for purpose to meet this requirement.

Question 4: How should underlying assets and reference entities be represented in the UPI data library? Would LEIs be suitable, at least for corporate reference entities? Why or why not? Are there suitable identifiers for indices? If not, is it feasible to use an existing identifier such as an ISIN code for them?

ANNA proposes that the ISIN is used to represent the underlying instrument as and when it is possible. Maintaining the use of existing ISO identifier that has been (or can be) assigned will reduce the risk of having to cross-reference across various product codes. The ISIN classification scheme is well established and works well in the global capital markets. Many indices and referential instruments already have an ISIN assigned and where a gap in coverage may exist, the National Numbering Agencies have the necessary processes in place to ensure this identification can be addressed in an accurate and timely manner.

Question 5: Do you envisage any obstacles to including the source of the identifier for the underlier as part of the reference data element for the underlier? Please explain and justify.

In the case of using ISO standard identifiers, the source of the identifier is clear and we see no issues to be raised in this respect.

Question 6: Could there be issues related to including proprietary benchmarks and indices in publicly available reference data or publicly disseminated UPIs? Please elaborate on any issues, such as licensing, that may exist.

None that ANNA is aware of.

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?

As ANNA have noted in earlier sections of this response, the principles behind identification schemes and classification schemes should be and must be kept distinct. They serve fundamentally different purposes. ANNA has always strongly recommended to its member National Numbering Agencies that their market identifiers have no embedded intelligence. There are other ways of achieving this result, for example by linking the identifier (ISIN) with the classification code (CFI). This achieves any necessary intelligence through the use of existing identifier and classification schemes. In addition to the CFI classification

scheme, a further ISO standard has recently been introduced for which ANNA has been assigned the Registration Authority role. This ISO 18774 - FISN (Financial Instrument Short Name) provides a human readable description of the instrument (i.e. the issuer name and some of the key basic attributes of the instrument). Thus the ISIN can be linked to the CFI and FISN to achieve a more robust solution based solely on existing and globally adopted ISO standards.

Question 8: Do you agree that a well-articulated UPI reference data library could support interoperability between dummy UPI codes and intelligent UPI codes? Why or why not? What steps could be taken with the UPI reference data to facilitate supporting both types of UPI code?

We do not see why there is a need to have both dummy UPI codes and intelligent UPI codes. Our concern is that the consultation paper is mixing the identification and classification definitions, and that there is a risk of creating a problem with a single combined identification/classification solution.

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?

ANNA as the ISO Registration Authority for the ISIN and FISN standards, has a long history in the area of instrument identification and classification. The ISIN is a 12 character data string – which includes a check digit as the 12th value. It has worked for many years in the area of cash securities, commodities, indexes, futures, options and exchange traded derivatives. To achieve standardisation and harmonisation on truly a global scale, maintaining a length of 12 characters for the UPI is strongly recommended.

Question 10: For intelligent codes, how should the information be encoded? Are there existing models for this? How much adaptation would existing models require in order to meet the needs described in this consultation?

ANNA's response is that classification attributes (which are essentially the embedded intelligence being suggested) are not include in a scheme designed to be an identification methodology. The two concepts and thus the two solutions, should be maintained as separate identification and classification schemes.

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?

ANNA believes there is a need for the inclusion of a check digit in the derived UPI solution. The check digit is an integral part of the ISIN code and has been globally adopted by the international capital markets as a means of validating the correctness of the ISIN – thus mitigating input error risk.

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?

As we noted in our response to Q9, ANNA strongly supports a uniform identification scheme for financial instruments. This identifier should not have embedded intelligence. It should be uniform and harmonised across all financial instrument asset types to ensure true global standardisation and acceptance.

Question 13: For an intelligent UPI code, how should underlying the asset(s) or reference entity (entities) be represented within the UPI code? Would it be preferable for the part of the UPI code that represents the underlying asset(s) or reference entity (entities) to be dummy while the rest of the code is intelligent? Why or why not?

In response to the above, any underlying assets should be identified separately and uniquely. They should not be represented or embedded in the UPI of the actual Derivative identifier itself. Such underlying instrument identifier(s) should be addressed through associated identifier reference data.

Question 14: Should the UPI code system avoid using Roman letters? Why or why not? Are there particular jurisdictions whose computer systems cannot accommodate Roman letters?

We see no reason to avoid the use of Roman letters. They are used today within the ISIN and CFI schemes in many countries and jurisdictions where Roman letters are not used in day to day written language, without any issues.

Question 15: Would it be preferable for the UPI code system 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.).

As noted in our response to Q14, Roman letters and Indo-Arabic numerals have been in use within the ISIN and CFI standards globally for many years. The level of global adoption and use within the financial industry should be seen as a clear signal that the composition of the two complementary ISO identification and classification schemes are indeed fit for purpose in the space of OTC Derivative asset classes.

Submitted by
Dan Kuhnel
Chairman of the Executive Board
Association of National Numbering Agencies (ANNA)