

Summary Comments

- i. We firmly support the move for instrument identifiers across from ISIN to UPI for a number of reasons chiefly predicated upon the utility and the uniformity that the deployment of a global standard is able to deliver.
- ii. The interdependencies between the supply of reference data under RTS23 feeding into the RDL as a “golden source” and the consequent use of that data in both transparency and regulatory reporting mean that any change in approach needs to be made holistically across not only MiFID/MiFIR but also the other dependent regulations.
- iii. The limited scope and targeted approach of this consultation is likely the wrong course as the transition to UPI should be holistic and therefore constitute some form of “big bang switch over.” It appears that the outcome of Option 1 would be for transparency to switch to UPI whilst reporting remains on ISIN. There would also be a discontinuity between type of financial instruments as well as between Exchange Traded Derivatives and “OTC Derivatives”. We remind that neither of these definitions are fit for purpose.
- iv. Any outcome akin to Option 2 that retains the ISIN fails the basic test of progressing towards agreed international standards because other jurisdictions are in train to implement ISO 4914. Firms operating trading venues across the EU and beyond will need to effect substantive changes to systems and to data validation, therefore change should only be made where it moves towards global harmonisation and results in substantial simplification and delivers operational efficiencies.

Answers to questions

Question 1. For reporting reference data of in-scope OTC derivatives for the purpose of public transparency which option do you prefer?

- *Option 1: mandating UPI plus additional identifying reference data*
- *Option 2: mandating ISIN and requiring a change to the ISIN attributes to include the above-mentioned two additional product attributes ‘Term of Contract’ and ‘Forward Starting Term’*
- *Don’t know / no opinion / not applicable*

Not Applicable

As proposed the transition to UPI-plus does not clearly apply across all the technical standards applying to MiFID and to MiFIR, especially to transaction reporting under RTS 22. Until UPI can apply universally across all financial instruments and complications around definitions for “OTC Derivatives” and “TOTV” can be made irrelevant, then the operational costs hold too many frictions.

We also remain unclear how ESMA could repurpose FIRDs to reference and validate UPI in any short timeframe.

At the same time, any move to embed ISIN-Plus for derivatives would be anti-competitive not only because it would constitute a formal move away from global harmonisation, but moreover the costs involved to operate with ISINs are very high and disproportionate to their limited utility for derivatives.

Question 2. If you prefer option 1:

a) Do you agree with the proposal to mandate additional identifying reference data alongside the UPI (ISO 4914), such as 'Term of Contract' and 'Forward Term of Contract' for interest rate derivatives?

- Yes
- No
- Don't know / no opinion / not applicable

Yes

Please explain your reasoning:

We support the [template built by ISDA for the additional fields](#) to provide for effective granularity for the UPI to delineate Swaps and Options.

b) Do you foresee any challenges and / or cost impacts in terms of system changes required to provide ESMA with the UPI plus certain additional identifying reference data, instead of only reporting a unique product identifier?

- Yes
- No
- Don't know / no opinion / not applicable

Yes

Please explain your reasoning:

Currently the ISIN forms the record reference for making derivatives available to trade, for transparency and trade confirmation purposes, and also for transaction reporting, validations and MAR purposes. Any move to UPI would involve significant and complete repurposing of trading venue trade processing architectures and therefore requires substantive cost-benefit gains.

The limited scope and targeted approach of this consultation is likely the wrong course as the transition to UPI should be holistic and therefore constitute some form of "big bang switch over." It appears that the outcome of Option 1 would be for transparency to switch to UPI whilst reporting remains on ISIN.

There would also be a discontinuity between type of financial instruments as well as between Exchange Traded Derivatives and "OTC Derivatives". We remind that neither of these definitions are fit for purpose.

Question 3. If you prefer option 2:

a) Do you agree that modifying the ISIN by replacing the 'Expiry Date' attribute with the 'Forward Term of Contract' for OTC derivative types which have daily ISINs (e.g., interest rate derivatives) addresses the problems identified with the use of the ISIN for the purposes of public transparency reporting?

- Yes
- No
- Don't know / no opinion / not applicable

No Opinion

Please explain your reasoning:

This could provide for a temporary fix in respect of the problems sought to be addressed but may require outsized costs to both ESMA FIRDS and therefore to all firms reporting reference data if the solution is not permanent.

Clearly any move to make ISINs the permanent unique product identifier for derivatives would be retrograde from both a global harmonisation viewpoint but also for the usage and development of Common Data Elements ["CDE's"] which are grounded within the UPI architecture.

b) Do you foresee any challenges and / or cost impacts in terms of system changes required to provide ESMA with the modified ISIN, instead of the existing ISIN?

- Yes
- No
- Don't know / no opinion / not applicable

Yes

Please explain your reasoning:

Whilst firms would need to add fields and make changes to their reference data systems and architecture, as well as to trade related communications, we question whether the ISIN series within FIRDS would either need large scale back dated changes or would hold a discontinuity at the date of changeover.

Clearly the costs to all participants and ESMA alike would not only be substantial, but also to move in a separate elemental direction to the system builds for trading in the rest of the world.

c) Please indicate for which specific types of interest rate swaps the problem of daily ISIN arises that require this remedy:

d) Are there other types of OTC derivatives, apart from the interest rate swaps identified in question 3 (b) and (c), for which the integration of the attribute 'Expiry Date' results in unnecessary daily ISINs and which require modification of their ISIN definition?

- Yes
- No
- Don't know / no opinion / not applicable

No Opinion

Please explain your reasoning:

Question 4. Are there any other additional identifying reference data that are neither part of the UPI or the ISIN attributes that appear relevant to enhance the above stated aims of price transparency and price formation for in-scope OTC derivatives – interest rate derivatives and/or credit default swaps?

- Yes
- No
- Don't know / no opinion / not applicable

Yes

We support the [template built by ISDA for the additional fields](#) to provide for effective granularity for the UPI to delineate Swaps and Options. This cites the relevant other additional identifying reference data:

- i. The requirement to identify the CCP.
- ii. Upfront payment for CDS instruments.
- iii. Spread For derivative trades containing a floating leg.

Whilst outside the scope of this consultation, additional spread data should be required for TRS

Ends.