

Respondent Details

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Select if response should be anonymous	<input type="checkbox"/>

Q#	Question	Response
1a	<p>Summary: The DSB estimates approximately that 20,000 organizations globally are likely to connect to the DSB to access UPI data, with supporting rationale set out below. This estimate is predicated on a steady state expectation based on the information set out in the supporting information.</p> <p>Question 1a: Do you concur with the UPI user connectivity assumptions set out in the supporting information?</p>	See response to question 9 below
1b	<p>Question 1b: If not, what specific alternate approach do you recommend? Please provide a clear rationale and cite publicly available sources for any additional data points you believe should be incorporated into the DSB's assumptions.</p>	See response to question 9 below

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2a	<p>Summary: The DSB anticipates that users will require support for three types of workflows, subject to their regulatory needs. Some users will only require the ability to create, search for and/or download the UPI reference data record, whilst a second category may only require the ability to create, search for and/or download the OTC ISIN, and a third set of (likely global) participants are likely to have reporting needs that require either the UPI or the OTC ISIN, subject to their reporting jurisdiction.</p> <p>Question 2a: Do you concur with the anticipated workflows presented in the supporting information?</p>	See response to question 9 below
2b	<p>Question 2b: If not, what specific alternate approach do you recommend? Please provide a clear and objective rationale for each alternate approach you recommend.</p>	See response to question 9 below

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3a	<p>Summary: The DSB proposes to facilitate access to the UPI service and the UPI reference data library on a programmatic basis, via a web front end, and via a file download service, with records available in a machine-readable format.</p> <p>Question 3a: Do you concur with the proposal presented in the supporting information, which seeks to leverage the core approach utilized for the existing service, and which has been endorsed by industry through several rounds of consultation?</p>	See response to question 9 below
3b	<p>Question 3b: If not, what specific alternate approach do you recommend? Please provide a clear and objective rationale for each alternate approach you recommend.</p>	See response to question 9 below
4	<p>Summary: Given the lower anticipated UPI volumes (compared to the existing OTC ISIN service), the DSB foresees a risk that a larger proportion of the UPI user base (compared to the OTC ISIN service) may rely exclusively on the DSB's free service, which includes the daily generated machine-readable download files. In this circumstance, the cost for each fee-paying user would be higher than otherwise.</p> <p>In order to mitigate this risk, the DSB proposes to provide access to the daily data files with a two-day time-delay.</p>	See response to question 9 below

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	<p>Question 4: Do you agree that the DSB should provide access to the UPI end of day data files with a two-day time-delay in order to ensure a fair distribution of cost across users?</p>	
5	<p>Summary: In order to keep the UPI build and operating costs low for both industry and the DSB, the DSB will re-use its existing staff, systems and processes wherever appropriate. This re-use will result in shared costs between the DSB's existing services and UPI services and therefore the DSB requires a policy for allocating such shared costs fairly across the services. The policy will be the subject of controls that will be validated through the DSB's third-party assurance programme.</p> <p>Given the start-up nature of the UPI service, the DSB is mindful that a large initial allocation of overheads against the UPI service may place a large cost onto a small number of users in the initial jurisdictions that go live with the UPI. Therefore, the DSB is proposing a phased approach with the allocation of shared costs against the UPI service rising incrementally in the first few years.</p> <p>Specifically, the DSB proposes that:</p> <ul style="list-style-type: none"> - The initial UPI build costs be amortised as per existing DSB policy (as consulted in section Error! Reference source not found. / Error! 	See response to question 9 below

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	<p>Reference source not found. <i>Capital Expenditure Amortisation Approach</i>), with the first year of amortisation being 2023. This means 2022 UPI users will not contribute towards the amortisation costs, given the smaller anticipated number of UPI users in 2022 vs 2023</p> <ul style="list-style-type: none"> - 100% of the synergies available by leveraging the existing DSB platform to be allocated to UPI users in 2022 and 2023, after which the available synergies to be shared between both OTC ISIN users and UPI users via an allocation policy that the DSB will propose and consult with stakeholders in 2023 <p>Question 5: Do you agree with the DSB's proposed cost allocation policy for the DSB's costs?</p>	
6	<p>Summary: In order to provide clarity on the commitments and responsibilities of UPI users and the DSB to each other, the DSB expects all UPI creators and API users to sign a common User Agreement. Based on feedback from the DSB's existing user base, the DSB believes the most appropriate period for the UPI User Agreement is the Gregorian calendar year.</p> <p>The DSB anticipates launching its production UPI service at the end of June 2022. Given the intra-year start to the service, the DSB proposes that the duration of the first User</p>	See response to question 9 below

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	<p>Agreement to be shorter than the standard 12 months in subsequent years, in order to align all subsequent User Agreements with the Gregorian calendar year. This will result in a proportional reduction in the initial fee to compensate for the shorter duration.</p> <p>Question 6: Do you agree with the DSB's proposal for a short duration User Agreement for UPI users in 2022 that ends on 31 December 2022, followed by annual contracts that cover a full Gregorian calendar year?</p>	
7	<p>Summary: In order to provide budget certainty to the user base and guarantee the financial stability of the service, the DSB proposes to invoice users a single fixed amount on, or shortly in advance of, the User Agreement (UA) period to cover the entire UA period.</p> <p>Any differences between the DSB's actual costs and the revenues received in the UA period will be reconciled after the DSB's accounts for that period have been audited, with any surplus / deficit applied as an adjustment to the user fees for the year subsequent to the audited accounts being finalised.</p>	See response to question 9 below

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	<p>Question 7: Do you agree with the DSB’s approach to invoicing users for its services?</p>	
8	<p>Summary: The DSB will treat the cost of the initial build and any subsequent investment in system enhancements as capital expenditure and will amortize these costs over a number of years, as per generally accepted accounting principles.</p> <p>The DSB proposes to amortize the capital expenditures over 4 years, starting from the first full year when the service benefits from the capital expenditure. This approach is consistent with the DSB’s existing capital expenditure policy.</p> <p>Question 8: Do you agree with the DSB’s approach to amortisation of its capital expenditure over 4 years, starting from the first full year when the service benefits from the capital expenditure?</p>	See response to question 9 below
9	Please use this space for any other comments you wish to provide.	<p>The Depository Trust & Clearing Corporation (DTCC) welcomes the opportunity to respond to the recent consultation document prepared by the Derivatives Service Bureau (DSB) on Principles Underlying the Fee Model for the Unique Product Identifier Service (the “Consultation”). DTCC continues to strongly support the establishment of a globally standardized reporting solution that assists regulators in obtaining a more comprehensive global view of the OTC derivatives market.</p>

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		<p>The designation of the DSB as the sole service provider for the future Unique Product Identifier (UPI) system represents a positive step to advancing ongoing global coordination efforts.</p> <p>DTCC appreciates the opportunity to respond to this Consultation and offers the following comments for your consideration.</p> <p>Overview of DTCC</p> <p>DTCC, through its subsidiaries, is the largest post-trade market infrastructure for the global financial services industry and supports its mission to protect clients and the financial markets. DTCC provides services for a significant portion of the global over-the-counter derivatives market and has extensive experience operating repositories to support derivatives trade reporting and market transparency. DTCC’s repository services enable firms to meet their global reporting obligations for derivatives and securities financing transactions through locally registered trade repositories as part of the Global Trade Repository service (GTR), which operates in the U.S., Europe and Asia.¹</p> <p>Forecast User Interaction with the DSB</p> <p>With respect to user interactions, in the summary section DSB states that it anticipates users will need one of the following capabilities:</p>

¹ DTCC also provides post trade life cycle services for credit default swaps, as well as other pre and post trade services for derivatives transactions. In addition, DTCC is the parent company and operator of The Depository Trust Company, the U.S. central securities depository, as well as the U.S. cash market securities central counterparties, National Securities Clearing Corporation and Fixed Income Clearing Corporation.

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		<ul style="list-style-type: none"> • The ability to create, search for and/or download the UPI reference data record, • The ability to create, search for and/or download the OTC ISIN, or • Access to a UPI or the OTC ISIN.² <p>The language “ability to create, search for and/or download” sets forth a number of abilities that some users may need, which DTCC agrees will likely be needed. The proposal that follows, however, does not identify the same capabilities discussed in the summary for the first two bullets listed above. Rather, in describing the data elements that would be available in each scenario, the proposal refers to the need for organizations to “access” UPI and the UPI record or the OTC ISIN, CFI and FISN and the OTC ISIN record. The word “access” does not subsume the “ability to create, search for and/or download”, which may create confusion around user capabilities. Accordingly, DTCC suggests that the DSB add language to the proposal that explains that the word “access” would include the ability for users to “create, search for and/or download” the necessary data element and report.³</p> <p>User Access</p> <p>DSB seeks to leverage its existing services and to introduce a search-only application programming interface (API) and a snap-shot user service. DTCC appreciates the suite of</p>

² The Consultation notes that the “primary use of the UPI contemplated for strengthening banks' risk aggregation capabilities and practices and for the reporting of OTC derivatives transactions to a TR or for regulatory use.” In this regard, DTCC further highlights that the role of TRs is to facilitate such reporting by passing information disseminated to it on to relevant regulators in a standardized manner.

³ DTCC notes that different user groups would require varying levels of access within each of the three workflows. For example, dealers would need the ability to create/search/download the data elements and reports, and trade repositories would only require the ability to download data in bulk. Thus, capabilities could be broken out by type of user group, though this may necessitate another consultation to make sure that all user groups are captured and that they are allocated the necessary capabilities.

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		<p>services DSB is proposing to provide. DTCC notes, however, that as a user group, trade repositories have unique, regulatory driven needs that should be taken into consideration. Specifically, DTCC’s trade repositories need the following capabilities to be able to continue to provide timely repository services inclusive of UPI:</p> <ul style="list-style-type: none"> • A programmatic mechanism to pull all applicable UPIs in bulk. As will be covered in greater detail below, this file download service will be needed on an intraday basis so that changes, updates, and newly created UPIs are appropriately captured for onward dissemination to the appropriate regulatory agency. • Daily UPI files that contain all active UPIs for that day.⁴ • UPI files that include for each UPI a ‘created timestamp’ and, for UPIs that may be updated after they have been issued, a ‘last updated timestamp’. Status information on the validity of each UPI would also be needed. • A control mechanism to programmatically verify that UPI generation for a given date has completed and that UPI generation processes have moved on to the next date. The cut-off time from one day to the next should be standardized based on UTC time. DTCC notes that this functionality is necessary to provide trade

⁴ Specifically, the information contained in this file should not be limited to the delta.

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		<p>repositories with confirmation that the industry record of UPIs for a given date will not change after that business day has concluded.</p> <ul style="list-style-type: none"> • For API based access to the UPI data, the ability to GET all UPIs created and/or modified between two timestamps. <p>The technological abilities identified above are critical for trade repositories to process UPI information and timely and accurately submit records. DTCC welcomes the opportunity to meet with the DSB technical staff to discuss the technological abilities described above with greater specificity.</p> <p>Registered User File Download Timing</p> <p>DSB proposes to provide access to end of day data files with a two day time-delay as a method of more equitably distributing costs across users. DTCC is concerned with the application of this time delay to trade repositories. While DTCC understands DSB's concern that, absent such a time delay, fee-paying users may carry a larger proportion of the cost burden than those users seeking to rely exclusively upon DSB's free service, application of this delay would not allow trade repositories to timely and accurately meet their regulatory requirements. Ideally, UPI data would be made available and published out to subscribers on a real time basis as UPIs are created or modified. Absent this ability, DTCC's trade repositories would need to receive a file containing the most current UPI data on an</p>

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		<p>intraday basis in order to meet the regulatory reporting timelines.⁵</p> <p>In addition, DTCC cautions against charging trade repositories for UPI data. Trade repositories provide a central facility for swap data reporting and recordkeeping under the regulatory frameworks of the jurisdictions in which they operate. These jurisdictions have comprehensive registration and regulatory reporting requirements, and trade repository user fees cover costs associated with these services. Accordingly, trade repositories should not be charged fees for accessing data necessary to meet their regulatory obligations.</p> <p>Conclusion</p> <p>DTCC appreciates the opportunity to provide comments on the Proposal and your consideration of the views expressed in this letter. DTCC welcomes the opportunity for further discussions and engagement on the topics raised in this letter. If you have any questions or need further information, please contact me at (212) 855-2331 or cchilds@dtcc.com.</p>

⁵ Trade repositories receive large volumes of messages in the ordinary course of their operations that, pursuant to regulatory requirements, must be validated. To the extent a trade repository cannot timely validate a UPI using DSB’s services, it would have to perform these validations against an internally stored database made up of the time delayed UPI data. As such, if a user includes UPI data in its message that is more current than what is included in the trade repository’s internal database, that trade repository would not be able to validate the UPI data and would have to reject the message, which could, in turn, create unnecessary operational difficulty and possible reporting delays for the user.