DERIVATIVES SERVICE BUREAU

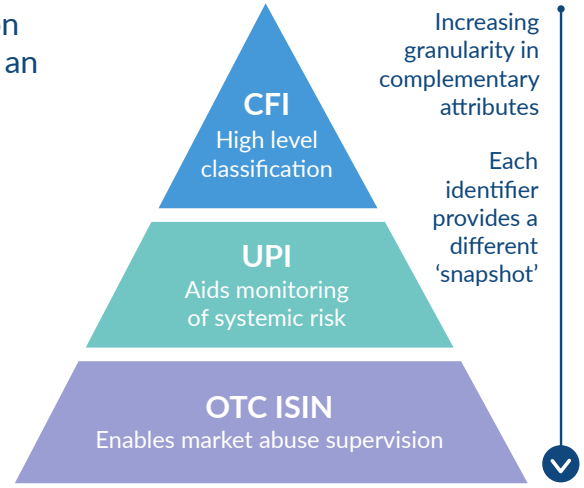
The OTC Derivatives Identifier Framework Explained

The Derivatives Service Bureau (DSB) issues three OTC derivatives identifiers which are part of the International Organization for Standardization (ISO) framework. Together, they form an identification hierarchy for OTC derivatives:

- the Classification of Financial Instruments – CFI (ISO 10962):
- the Unique Product Identifier – UPI (ISO 4914): and
- the International Securities Identification Number – OTC ISIN (ISO 6166).

These three identifiers are designed to be complementary whilst having different levels of granularity. The level of granularity depends on the purpose for which the identifier has been created.

This paper explains what these OTC derivatives identifiers are, their purposes and what 'complementary with different granularity levels' means.



What is an OTC derivatives identifier?

An identifier comprises **a code** which maps to **a dataset**, also known as the 'reference data', held centrally by the DSB.

Derivatives are contracts, where an OTC derivatives identifier represents a combination of common '**attributes**' for the unique identification of a specified set of contract terms. The common attributes support aggregation for a particular purpose. These **attributes** (e.g. instrument type, delivery type etc.) make up the **dataset**.

Identifiers with different 'levels' of granularity are required for different purposes, each level offering a different view into the dataset.

The key consideration, when defining an identifier, is to decide which attributes to include in the dataset, depending on the identifier's purpose.

The purpose of the CFI, UPI and OTC ISIN

The DSB issues the following ISO identifiers, each developed to serve different purpose(s):

- The CFI provides a standardised way of classifying financial instruments for the purposes of reporting and categorisation.
- The UPI has been developed to help identify the build-up of systemic risks at a global level, identifying the OTC derivative at underlying product level.
- The OTC ISIN is used in transaction reports to assist the detection and investigation of market abuse.

Different purposes, different levels of granularity but complementary

The table below shows the attributes of the dataset for a CFI, UPI and OTC ISIN for a **Single Currency Fixed Float Interest Rate Swap (IRS)**.

Single Currency Fixed Float Interest Rate Swap (IRS)

Attributes	CFI	UPI	OTC ISIN	Example Values
Asset Class	✓	✓	✓	Rates
Instrument Type	✓	✓	✓	Swap
Underlying Asset Type	✓	✓	✓	Fixed-Float
Notional Schedule	✓	✓	✓	Constant
Single/ Multi-Currency	✓	✓	✓	Single
Delivery Type	✓	✓	✓	Cash
Notional Currency	✗	✓	✓	EUR
Reference Rate	✗	✓	✓	EUR-EURIBOR
Reference Rate Term	✗	✓	✓	6 MONTH
Term of Contract	✗	✗	✓	5 YEAR
Price Multiplier	✗	✗	✓	1
Expiry Date	✗	✗	✓	23/09/2028

The above table shows that the OTC ISIN's dataset includes the most attributes, making it the most granular identifier whereas the CFI's dataset has the fewest attributes, allowing aggregation at a high level.

The CFI dataset is a subset of the UPI dataset and the UPI dataset is a subset of the OTC ISIN dataset, ensuring data alignment and harmonisation.

Put another way, an OTC ISIN will have only one UPI 'parent', but a UPI may have none, one or many OTC ISIN 'children'.

OTC ISIN and UPI design and alignment

The 2007-08 financial crisis was caused in part due to blind spots in the oversight of OTC derivatives. The G20 Leaders subsequently committed to increase transparency, mitigate systemic risk, and protect against market abuse in this market[1]. As part of these measures the Financial Stability Board proposed development of a globally harmonised UPI[2] in 2014. When, in 2015, European regulators decided the OTC ISIN would be the preferred identifier for new EU regulatory reporting under MiFID II, MAR and MiFIR, the DSB worked with market participants, the ISO and EU regulators to ensure the OTC ISIN design was consistent and complementary to the UPI and the CFI from the outset.

[1] Leaders' Statement, The Pittsburgh Summit, September 24-25 2009, page 9 (oecd.org)

[2] Feasibility study on approaches to aggregate OTC derivatives data (fsb.org)