The Unique Product Identifier (UPI): Populating the UPI Universe

The Derivatives Service Bureau (DSB) is the sole service provider for the Unique Product Identifier – UPI (ISO 4914), an Over-The-Counter (OTC) derivatives identifier developed to help G20 regulators identify the build-up of systemic risks at a global level. The DSB issues UPI codes as well as operating the UPI reference data library.

With the UPI Service going live on 16 October, UPIs are being created in two ways:

- Users of the UPI Service are able to create UPIs - depending on their User Type[1] - for any OTC derivatives asset class within scope[2]; and

- To complement user creation of UPIs, the DSB is using the OTC ISIN universe to generate and add UPIs to existing OTC ISIN records, referred to as '**Pre-Population**'.

This paper explains what Pre-Population is and the approach being taken at the launch of the UPI Service.

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[1] All User Types are able to search for UPIs. The following User Types are able to create UPIs: Infrequent Users, Standard Users and Power Users. See https://cosp.anna-dsb.com/home#upi-service-plans
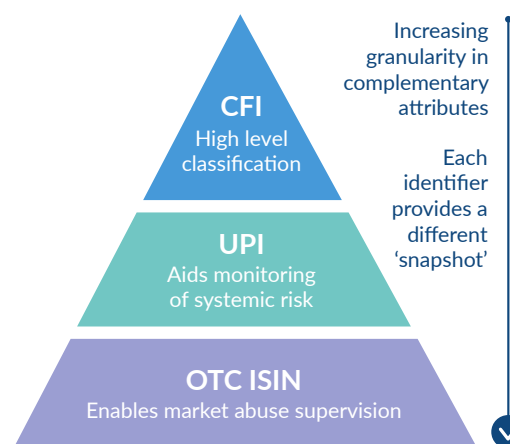
[2] The UPI Product Definitions cover the following classes: Rates, Credit, Foreign Exchange (FX), Equities, Commodities, Non-Standard – see www.anna-dsb.com/product-definitions1/#upi-product-definitions

Pre-Populating the UPI Universe:
An Overview

• The OTC Derivatives Identifier Framework

In addition to being the service provider for the UPI, the DSB also issues International Securities Identification Numbers – ISINs (ISO 6166) for OTC derivatives, which are used in the EU and UK to assist regulators detect and investigate market abuse.

The UPI Service operates as a separate service from the OTC ISIN Service with a hierarchical relationship existing between the identifiers[3]. 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'.

CFI
High level classification

UPI
Aids monitoring of systemic risk

OTC ISIN
Enables market abuse supervision

Increasing granularity in complementary attributes

Each identifier provides a different 'snapshot'

• The Pre-Population Process

The DSB will use the existing OTC ISIN universe to generate UPIs from the attributes of over 112 million OTC ISINs and expects this exercise to create approximately 700,000 UPIs in the UPI database.

Pre-Population is a process which attempts to assign a UPI code to each existing OTC ISIN record and will be applied to both active and expired OTC ISINs. A UPI code will be added to the relevant OTC ISIN record, providing the OTC ISIN record has not been 'Deprecated' (see below). The UPI codes and associated reference data records will also be available in the UPI database. UPIs created by Users or by the DSB as part of the Pre-Population exercise, will be included in the UPI daily File Downloads as well.

The OTC ISIN population will be significantly larger than the UPI population because the OTC ISIN identifies OTC derivatives at instrument level whereas the UPI identifies OTC derivatives at product level.

• 'Deprecated' OTC ISIN records

Due to the stricter UPI validation rules, some existing OTC ISINs cannot be assigned a UPI and, where this occurs, the OTC ISIN records will be updated with a status of 'Deprecated'[4] and will remain in the database. This means that Deprecated OTC ISIN records will not have a UPI parent assigned and Users will not be able to obtain a UPI parent for these OTC ISINs. DSB analysis of test data indicates approximately 0.6% of OTC ISIN records being assigned the status of Deprecated[5].

[3]For further information on this relationship, see www.anna-dsb.com/download/otc-derivatives-identifier-framework

[4]See slide 4 for reasons why an OTC ISIN could be Deprecated: www.anna-dsb.com/download/otc-isin-pre-population-process

[5]See slide 9 for an example breakdown of Deprecated OTC ISINs by asset class: www.anna-dsb.com/download/otc-isin-pre-population-process

Pre-Population timeframe

The DSB is running the Pre-Population process from 16 October 2023, the date the UPI Service goes live, and it will complete by the start of the first regulatory reporting compliance date (in the United States) on 29 January 2024.

The Pre-Population process will run in a set order:

- Firstly, all Swaps[6]:
  - Active OTC ISINs first, followed by Expired OTC ISINs; and

- Secondly, Non-Swaps:
  - Active OTC ISINs first, followed by Expired OTC ISINs.

Users of the OTC ISIN Service creating new OTC ISINs after the UPI Service launch date, will see UPI codes added to OTC ISIN records but not necessarily at the point of OTC ISIN creation. The timing depends on where the products fall within the Pre-Population set order for Swaps and Non-Swaps noted above.

Based on analysis in the UAT environment, the DSB expects the Pre-Population process to complete for all active OTC ISINs in early December 2023[7].

It is important to highlight, Users of the UPI Service can create UPIs for all products as soon as the UPI Service is launched. The set order for Pre-Population of UPI into the OTC ISIN Service does not impact this ability.

Fair sharing of costs

The DSB operates on a cost recovery basis with the UPI Service and the OTC ISIN Service having separate, unbundled, cost recovery fee models, aligned with the governance arrangements for the UPI[8]. The principles of the DSB, and agreed through industry consultation, is to ensure that the cost is shared fairly among all Users of each Service.

Organisations who are able to meet their UPI requirements through use of the OTC ISIN Service, as the UPI code is included in the OTC ISIN record, are still required to obtain an equivalent or higher (depending on usage) UPI agreement and pay the appropriate fee.

Further information on Pre-Population

Further information on the Pre-Population process, including weekly statistics from 16 October 2023, are available on DSB's website here: www.anna-dsb.com/otc-isin-pre-population

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[6]A subset of the templates for Commodities, Credit and Rates: See slide 19 for the list of product templates included in the Swaps release: www.anna-dsb.com/ download/otc-isin-pre-population-process

[7]See slide 11 for overview of approximate Pre-Population production timeline: www.anna-dsb.com/download/otc-isin-pre-population-process

[8]www.fsb.org/wp-content/uploads/P091019.pdf