September 30, 2016

Comments on the Second Consultative Report: *Harmonisation of the Unique Product Identifier*, issued by the Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commissions

Japanese Bankers Association

We, the Japanese Bankers Association ("JBA"), would like to express our support for the work on harmonization of OTC derivatives data reporting undertaken by the Committee on Payments and Market Infrastructures ("CPMI") and the Board of the International Organization of Securities Commissions ("IOSCO"), and also would like to express our gratitude for this opportunity to comment on the second consultative report: *Harmonisation of the Unique Product Identifier*, issued on August 18, 2016 by CPMI and IOSCO, following the first consultative report.

Our comments herein are provided in the capacity of a reporting entity of OTC derivatives transaction data and from a practical point of view, reflecting practices of private financial institutions. We respectfully expect that the following comments will contribute to your further discussion. Furthermore, CPMI and IOSCO are requested to give due regard to compliance burden imposed on financial institutions and specify a practically feasible implementation timeline (planned timing of finalisation) because reporting entities would need a reasonable period of time for preparation. Also, some guidance with respect to the expected level of financial institution's management framework would be appreciated.

As CPMI and IOSCO continue discussions on this matter going forward, it is expected that reporting entities' compliance burden will be sufficiently taken into account and aggregation of transaction data will be limited to the extent each authority truly needs so that minimum actions would be required for regulatory compliance.

[Comments to questions]

Out of questions 1 to 15 presented in the consultative report, we would like to comment on the questions 1, 2, 4 and 12, and would appreciate your consideration.

1. 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.

(1) Harmonisation of ISIN codes and UPI codes

(Our comment)

We believe it necessary for the authorities to harmonize the UPI codes proposed by CPMI/IOSCO with ISIN codes considered under the MiFID2/MiFIR transaction reporting.

(Rationale)

It is extremely inefficient to assign both the ISIN and UPI codes to the same derivative product and separately use them depending on the authority to which transaction data are reported.

Integrating ISIN codes and UPI codes would be the most efficient way but if it is difficult to do so, UPI codes should be designed at least in a way that they will be highly compatible with ISIN codes. Examples include designing UPI to represent the aggregation of several ISIN codes (i.e. aggregate all transactions with the same asset class).

(2) Simplification of UPI data elements

(Our comment)

The UPI data elements should be kept to the minimum necessary and be simplified.

(Rationale)

It is not necessarily required to include in the UPI system those information covered by other reporting data elements (e.g. currency and tenor). Including those transaction data in both the UPI and other data elements may give rise to confusions, such as discrepancies in information reported between the UPI and other data elements. Furthermore, incorporating various information in the UPI and thus applying a complicated and long code system would heighten the risk of assigning incorrect codes.

In this view, more accurate information could be obtained by keeping the UPI data elements to the minimum and by extracting necessary information using an AND search from the UPI data elements and other data elements.

2. Question 2:

Do you believe generally that the value “Other” is required in certain data elements? If so, which ones and why?

(Our comment)

The value “Other” is necessary. However, the value “Other” may be used temporarily in a case where a product not included in the existing product line appears in an actual transaction. In such a case, it should be noted that there is a risk of undermining the effectiveness of the UPI system if the value “Other” is used in place of many identifiers in the future and/or if the UPI is not designed as a sustainable framework that is capable of addressing changes over time, including such as adding of new products.

3. Question 4:

How should underlying assets and reference entities be represented in the UPI reference 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?

(Our comment)

With a view to promoting the use of LEIs and enhancing their reliability, LEIs should be used as much as practical. The use of the ISIN could be considered given its advantage in terms of coverage and convenience.

4. 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?

(Our comment)

From the perspective of data processing by systems, it is preferable that all UPI codes to be of uniform length (regardless of the use of dummy codes).