Due to uncertainty and potential inconsistencies in the implementation and adoption of platform generated UTIs for February 12, 2014 – which could result in a large number of reporting breaks - the Market Architecture Group (MAG) suggests a phased in approach with respect to the use of UTIs generated by central execution platforms – as described below.

1. For February 12, 2014, if central execution platforms are not able to generate and communicate a UTI, one of the parties to the trade will be required to generate and communicate the UTI to the other party. The non-generating party should consume the UTI from the confirmation of the UTI generating counterparty.

2. For February 12, 2014, if one party to a trade is able to consume a UTI from a central execution platform and the other party is not able to consume a UTI from a central execution platform, then:

   - if the party that is able to consume the UTI from the platform is the UTI generating party, then the UTI will be communicated to the non-generating party via the confirmation and the non-generating party should consume the UTI from the confirmation of the UTI generating counterparty.

   - if the party that is able to consume the UTI from the platform is the non-generating party, then the non-generating party should consume the UTI from the confirmation of the UTI generating party and not the platform.

3. For February 12, 2014, if both counterparties to a trade are not able to consume a UTI from a central execution platform, one of the parties to the trade will be required to generate and communicate the UTI to the other party. The non-generating party should consume the UTI from the confirmation of the UTI generating counterparty.

Finally, once both the central execution platform is able to generate and communicate the UTI and both counterparties to the transaction are able to consume the UTI, then the process for the generation of a UTI should, once bi-laterally agreed between parties to the trade, revert back to the central execution platform as per the methodology defined in the UTI generation – Key principles.
Background to the GFMA FX Market Architecture Group (MAG)

About the GFMA FX Division
The Global Financial Markets Association (GFMA) joins together some of the world’s largest financial trade associations to develop strategies for global policy issues in the financial markets, and promote coordinated advocacy efforts. The member trade associations count the world’s largest financial markets participants as their members. GFMA currently has three members: the Association for Financial Markets in Europe (AFME), the Asia Securities Industry & Financial Markets Association (ASIFMA), and, in North America, the Securities Industry and Financial Markets Association (SIFMA).

The GFMA Global FX Division (GFXD), headquartered at AFME in London, was formed in June 2010 to support efforts to promote an efficient global FX market, monitor regulatory developments that could affect the foreign exchange markets and assist the industry in building out the infrastructure of the future. Its members comprise 23 global FX market participants, collectively representing more than 90% of the FX Inter-Dealer market (according to Euromoney surveys).

About the Market Architecture Group (MAG)
The MAG is a working group of the GFXD. Its principal remit is to promote common industry standards and workflows in response to the new international regulatory environment. As such, the group wishes to foster dialogue and discussion with a wide range of market participants, vendors, industry utilities and regulators. The group works closely with ISDA in respect of other asset classes to harmonise cross-asset approaches where possible.

As the first key leg of implementing regulatory reform, the group is focusing on the approach to global trade reporting. This work includes focusing on the development of identifiers (in particular unique transaction identifier workflows and product identifiers / taxonomies) and protocols for determining various reporting responsibilities. All of the MAG’s relevant documentation is posted on the GFMA’s website at: http://www.gfma.org/initiatives/foreign-exchange-(fx)/fx-market-architecture/

Whilst the group will continue to focus on supporting regulatory reporting, it will also be discussing approaches to all new regulatory infrastructures, including in respect of clearing and execution. Market participants are encouraged to communicate with the MAG on these, or any other related issues.

Important notice
Please note that any materials issued by the MAG contain suggestions and comments on approach based solely upon the views of the participants of the MAG. These materials have not been validated with regulators or any other participants, stakeholders or advisers (including legal advisers) to assess compliance with legislation in any applicable jurisdiction, and GFMA makes no representations as to the accuracy or completeness of the materials.

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Overview

As highlighted in the GFXD Discussion Note dated August 2013, titled ‘The EMIR Requirement for Dual-Sided Trade Reporting Utilizing a Unique Trade Identifier - The Proposed FX Approach and Associated Challenges’, the MAG recommended that the GFXD members should leverage the ISDA UTI Generation, Communication and Matching best-practice document with respect to the use of a UTI.

Since the publication of the above Discussion Note, ESMA has approved 6 Trade Repositories and Trade Reporting in Europe is due to go-live on February 12, 2014.

In preparation for the go-live date of February 12, 2014, market participants including counterparties, vendors and central execution platforms are building new infrastructures and are using the ISDA UTI Generation, Communication and Matching best-practice document as the basis in determining how the UTI will be generated and communicated. The ISDA document provides the key best practices for the market participants to use and remains the operating model for the GFXD members.

For trades executed on a central execution platform and where either the platform or the parties to the trade are not yet able to produce/consume a UTI, then the MAG, on the opening page of this document, has proposed three intermediary steps to be leveraged as appropriate. These are:

Finally, in conjunction with ISDA, the FX Industry is in discussions with ESMA on the construct of the UTI and at this stage no final guidance from ESMA has been received. ESMA have however suggested that if a USI exists for a transaction then that USI can also be used as the UTI. It should be noted that all GFXD members are registered as Swap Dealers under Dodd-Frank and will be using a USI for their reporting requirements.

Included in the remainder of this note is additional information that is included for reference, namely: the UTI generation – UTI Generator Decision Tree and FX specific tie-break logic; Key principles; the process flow for UTI generation for trades executed on a platform.
The MAG proposes that the UTI Generator Decision Tree is adopted, or as more likely, bi-laterally agreed between counterparties who will generate the UTI.

If the above Decision Tree fails to determine which counterparty generates the UTI, then the below FX specific tie-break logic should be applied.
FX specific tie-break logic:

- The FX Cash Rule: The seller of risk in the currency which is first, when sorted alphabetically by ISO code, would bear responsibility to generate the UTI.
- The Option Seller: The seller of the product in the transaction would bear responsibility to generate the UTI.

<table>
<thead>
<tr>
<th>Taxonomy</th>
<th>Rule</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward</td>
<td>FX Cash Rule</td>
<td>For FX Swaps, the UTI generator of both legs of the swap would be determined by applying the FX Cash rule to the far-leg of the swap</td>
</tr>
<tr>
<td>NDF</td>
<td>FX Cash Rule</td>
<td></td>
</tr>
<tr>
<td>Option</td>
<td>Option Seller Rule</td>
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<tr>
<td>NDO</td>
<td>Option Seller Rule</td>
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<tr>
<td>Simple Exotic</td>
<td>Option Seller Rule</td>
<td></td>
</tr>
<tr>
<td>Complex Exotic</td>
<td>See Comment</td>
<td>For a complex exotic product where there is an unambiguous seller of the product, the Option Seller Rule would apply. The seller determination would be driven by the seller as agreed in the standard FpML representation of the product. If there is no clear seller then the FX Cash Rule would apply.</td>
</tr>
</tbody>
</table>

**UTI generation – Key principles**

Included in the ISDA UTI generation document are several key principles that were agreed to help define best practices for market participants. For the generation of a UTI, these are:

- UTI generation, communication and matching should occur at the earliest possible point in the trade flow. The list below is ordered in preference:

  - Centrally executed trades – reference is generated and communicated at the point of execution on a platform that can generate a UTI and ensure its uniqueness.
  - Up-front affirmed – reference is generated and communicated at the point of submission.
  - Back-end confirmation matched (post-trade) – reference is generated at submission and communicated at point of matching.
  - Paper trades – unless otherwise communicated, a reference is generated by individual firms who share via paper and update their reporting to reference the UTI for the trade once agreed by counterparties.
UTI generation for Trades Executed on a Central Execution Platform

The diagram below shows the process flow for the generation and communication of a UTI for transactions executed on a central execution platform.

1. Counterparties execute trade via a central execution platform
2. Platform assigns a common UTI and communicates as part of trade details to each counterparty
3. Counterparties report to the TR using the common UTI (or may delegate reporting to an agent)