



GFMA Global FX Division

Market Architecture Group

Unique transaction identifier – Overview document

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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, 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 22 global FX market participants, collectively representing more than 90% of the FX market (according to Euromoney surveys).

About the MAG

The MAG is a working group of the GFMA FX Division. 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/](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 infrastructure, 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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Contacts

MAG Chairs: Jesse Drennan (jesse.r.drennan@us.hsbc.com)
Harmeet Singh (harmeet.s.singh@baml.com)
GFMA: Matt Lewis (mlewis@gfma.org)

Glossary

ACK	Acknowledgement message
CB	Clearing Broker
CCP	Central Counterparty Clearing House
Confirmation Data	Confirmation Data as set out in CFTC 17 CFR Part 45
EB	Executing Broker
ECN	Electronic Communications Network
FpML	Financial products Markup Language
FXTR	FX Trade Repository
Generic Template	The generic template is a standard product representation (using FpML) that provides details of the high level trade economics for those trades that cannot at present be fully described in FpML.
IM	Investment Manager
MAG	Market Architecture Group
NRP	Non Reporting Party (see Reporting Party)
PB	Prime Broker
PET	Primary Economic Terms data as set out in CFTC 17 CFR Part 45
Reporting Party	Under Dodd Frank, the party that has the legal obligation to report trade data.
SEF	Swap Execution Facility
Submitting Party	Any party submitting trade data or a trade record to an FXTR. This party is the owner of that trade record and has the responsibility for updating or amending the record as necessary.
TR	Trade repository
USI	Unique swap or transaction identifier

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1 Executive Summary

In support of trade data reporting, certain international regulators and supervisory bodies have highlighted the need for unique transaction identifiers to enable regulators to identify individual transactions. This document sets out suggestions, which are specific to the foreign exchange industry, relating to the generation of such identifiers and subsequent trade workflows.

The material set out here is not intended to be specific to particular market participants, including vendors and infrastructure providers. At present, the CFTC in the United States has the most detailed set of requirements around such an identifier (called a Unique Swap Identifier or USI). Accordingly, where relevant this document describes US-specific implementation issues and for ease adopts the term USI in the text. However, the suggestions set out here are intended to be capable of abstraction to support global USI implementation. Note that this document does not discuss the format of the USI.

A key consideration of the MAG in deliberating the implementation of USI has been to leverage, where possible, existing messaging infrastructure in place within the industry. This has been viewed as more cost effective than introducing new industry components in support of the trade workflow.

It is also important to note that the working group has based the trade workflow on the assumption that an FX trade repository or other global / multi-asset trade repository (FXTR or TR) would not generate the USI but rather would require the data as part of any trade submission by a party reporting to the FXTR.

The following trade events are suggested as requiring the generation and assignment of a USI as part of the trade workflow – all of which are confirmable events:

- New trade and trade allocation
- Cleared trade (i.e. CCP assigns USI once the trade is accepted for clearing)
- Give-up
- Trade / Portfolio novation
- Rollover and Historic Rate Rollovers
- Partial termination (USI on the remaining leg)

It is not suggested that option exercise be USI forming, since the exercise is not price forming. Hence the creation of the underlying would not follow the same workflow as a trade created via execution.

The MAG believes there could be four potential points of communication of the USI within the market infrastructure:

- Platforms for electronically executed transactions

- The trade recap or affirmation directly between the parties
- The confirmation; and
- An ACK from the FXTR to a non-submitting party

For ease of reading, throughout the document, the MAG has suggested the method of communication as being either “recommended” or “mandatory”. This is intended to provide sufficient flexibility for market participants to optimize workflows to their own specific environment as part of their implementation of the USI.

2 Background

In exploring solutions for the USI, the Market Architecture Group explored three alternative solutions. The following will summarize the proposals and why the group ultimately believes that these are not the most appropriate industry solutions.

2.1 Independently Derived USI

The first proposal was to create an algorithm for generating USI which would guarantee uniqueness and allow for each party independently to derive the same USI to a transaction. Intellectually, this would be the preferred method as it would require no change to market infrastructure and impose the least amount of change to existing workflow.

The challenge is in determining how to derive the USI from the information available at execution. There are two obvious elements for deriving the USI – the time of execution and the sequence the parties have executed between one another.

With respect to using time, there was concern on both the synchronization of the clocks amongst parties and the management of any drift, as well as the issues of latency in processing transactions and its ability to throw off the USI generation – particularly on voice traded trades, where the time to key a trade may vary greatly from firm to firm and would introduce differences between the USI.

The second was the sequence at which each firm had executed with one another. Here, again, there were issues as to processing sequence – where in the trade flow is USI assigned and what were to happen if trades were processed in parallel where the queuing scheme of parties may not match and thus the sequencing of trades may not match.

The third option was a hybrid, but this added complexity and imposes implementation and complexity on all market participants which the working group felt was too great a burden and uncertain to resolve the issues discussed on each component input.

2.2 Central USI disseminator

The central USI disseminator would act to take in trade submissions from parties and to assign a USI to the transaction. There are a number of concerns around this solution, not least of which are:

- The cost of establishing and maintaining a central USI disseminator
- The requirement for all FX market participants to connect to the USI disseminator and the length of time this would take given the large and diverse number of participants in the market
- The introduction of a single point of failure into the market place - today's distributed architecture allows for firms to recover business processes across alternative providers should any single provider become impaired.

In addition, there were concerns that by creating a central entity within the FX ecosystem there are risks of a component of the ticket processing costs becoming fixed which work against the macro trend of overall ticket process cost reduction.

2.3 FXTR for USI assignment and dissemination

When the legislation was first proposed, a number of firms considered that an FXTR as the creator and disseminator of the USI made the most sense.

From an FX TR perspective there are a number of issues:

- It creates a need for the trade repository to create a financial matching service in support of trade pairing and assignment of the USI
- There does not currently exist standard representation for a number of FX option products, creating significant risk of incorrect pairing and therefore incorrect assignment of USI – which could have knock-on impacts when trade valuations are submitted if the valuations are wide of one another
- It imposes greater service level requirements on an FXTR. Given that any FXTR is likely to be a newly created entity which is attempting to manage to the regulatory service requirements, imposing end-user service requirements as well creates the risk of greatly increasing the technical complexity as well as distracting from the end-goal of meeting regulatory reporting requirements.

There were additional issues in that it would require all market participants to connect to a single FXTR (see Central USI disseminator for discussion on risks to central connectivity) as well as violating the intent of the CFTC rules that single sided reporting exist so as not to create an undue burden on smaller market participants and end-users.

3 USI – generation and ownership

Key to the trade workflow is an understanding of who would have the responsibility for assigning the USI – thereby defining the party who will generate the USI and the party (or parties) that will become consumers of the USI.

The determination of where the USI should be generated begins with a discussion as to how the trade is executed. Specific to FX, there are two types of flow to consider – platform and voice. Within platform trades, there are several sub-categories - ECN or SEF flow (with the caveat that an ECN does not necessarily have the same capabilities as a SEF), e-commerce platforms and hybrid platforms – such as options brokers who may execute one side of the transaction via voice and the other over an e-commerce platform. The MAG’s preference is for the platform to generate the identifier for both parties.

3.1 Mandatory and Recommended USI communication

Within the diagrams there are “mandatory” and “recommended” communication events for USI. The intent is to highlight where the MAG believes it would be beneficial for the USI to be communicated – i.e. as close to execution as possible. However, there is recognition that there are various degrees of interaction and automation across the industry. The group has adopted the view that at confirmation all firms have reached a point in their process where there is an expectation of an external exchange of trade details. Accordingly, the group believes that the USI communication should be a ‘mandatory’ field on the various confirmation protocols as a means of ensuring USI communication to all types of market participants. The field need not become a field for mandatory matching nor should it hold up the non-submitting party’s exchange of confirmation details.

3.2 Industry solution which is suitably flexible to accommodate most internal implementations

Unfortunately, firms are likely to be required to make changes to their trade workflow in order to support the use of universal identifiers on transactions. The working paper looks to define industry workflows which leverage existing market infrastructure and existing points of communication within the FX ecosystem whilst allowing for degrees of freedom in how firms implement. For instance, the workflows for bilateral trading allow for the non-submitting party to either gate their messages until they have received and applied the USI or to submit all transactions as though they are the submitting party and then to amend the USI at a later date¹. For voice trades, the MAG suggests an exchange of USI known as the ‘our ref, your ref protocol’. This has the advantage of limiting the number of identifiers a firm has to manage across multiple regulators, allowing for the workflow to be consistent even if parties are submitting to different trade repositories and ensures that regulators can query a

¹ It should be noted that the transient state associated with a trade record being submitted by a non-reporting party with its own USI will create a condition of dual exposure as the trade repository may treat each side of the trade to be independent trades until they share a common identifier at which point pairing can take place.

trade based on a single identifier – either that of the firm or that of their counterparty. As discussed earlier in this document, the MAG believes this is also the least disruptive to existing operational practices and FX market infrastructure.

3.3 Standard Event Representation Versus Economic Equivalence

A major part of the discussion and the framework in support of the FX USI workflow was based on the belief that all FX trade and lifecycle events would require standard representation at an FXTR – particularly when valuations are submitted to the repository and / or there is a need for direct comparison by the regulator.

The working group explored the trade workflow to understand how parties could move between the “event” (i.e. single record) model and the multi-record model. It was suggested that for parties in multiple records it would be challenging to move to an event model (impossible if referential integrity is not maintained on the source system) but that it would be relatively straight forward for the event driven model to unpack its message into the multiple ticket representation.

To illustrate the issue take the trade record representation for an FX Swap, which is defined for the purposes of Dodd Frank as a ‘forward and a reverse forward’². There are three ways in which the trade records could be represented by an FX system:

- As a single FX Swap record, encapsulating the near and far leg
- As two records, a near-leg and a far-leg with internal reference to one another
- As two records, a spot (or forward) and a forward without reference to one another

All three exist within the internal implementations of various firms across the FX markets and all three have implications for how the USI should be handled – the second and third booking method would require two independent USIs, while the first could work with a single USI assignment³.

The objective of standard representation is to avoid situations where one party attempts to assign a single USI to a transaction while the other party due to different data models attempts to assign multiple USIs creating trade pairing and reconciliation issues within the FXTR. In order to promote standard representations for trade and lifecycle events, thereby ensuring consistent allocation of USIs, the following are suggested:

- The basic principle suggested is for the trade to be reported as it is expected to be confirmed, based on the trade’s representation within risk management systems and independent of any counterparty specific logic.
- USIs would be allocated to each leg of a strategy that can be electronically confirmed. For this purpose, electronic confirmation refers only to MT300 and

² CEA 1(a)25

³ Note that the MAG understands that the third option does not meet the requirements of the CFTC’s reporting regulations.

- MT305 message formats. The current use of MT306 messages is inconsistent, and until standard definitions are implemented across the industry for these message types, trades confirmable via the MT306⁴ message are suggested to be represented via the Generic Template in all reporting to the FXTR.
- FX swaps would be reported as two legs (near leg and far leg) regardless of the maturity of the near leg. Each leg would have its own USI but would be linked via an internal reference assigned by the Reporting Party.
 - For a strategy comprising a series of separately identifiable transactions, USIs would be allocated at the individual trade level. For example:
 - A straddle option strategy consisting of a call and a put that is confirmed via two discrete MT305 messages would have a USI allocated to the call leg and a separate USI allocated to the put leg;
 - A strip of plain vanilla options, each of which can be confirmed individually via an MT305, would be treated as a strategy and have a USI allocated to each plain vanilla option making up the strip.
 - Individual exotic products that have no electronic representation and are confirmed manually would be reported to the FXTR via the Generic Template and a single USI.
 - For a combination of exotic or vanilla and exotic options executed as a strategy that is decomposed into its individual components for recap and confirmation, USIs would be allocated to the individual components and reported to the FXTR via the FpML schema or generic template.
 - For structured or bespoke products traded as a structure rather than a strategy, the whole structure would be reported to the FXTR using a single Generic Template message and a single USI.

Multi asset products (e.g. structured notes, where FX is the primary asset class and therefore the reporting asset class) that, by definition, cannot be electronically confirmed would be reported to the FXTR using a single Generic Template message and a single USI.

3.4 Data Record Control

In developing the USI framework, the Market Architecture Group developed two core principles – one for data submitters the other for an FXTR which when taken together strongly influence the shape of the resulting workflows.

Fundamentally, the MAG believes that submitting parties retain ownership and responsibility for all data records which a party submits to an FXTR. The underlying assumption is that parties have a responsibility to ensure the accuracy and quality of the data they have submitted to the TR.

Working from the principle of submitting party data accuracy, the MAG believes that for post-trade events a TR should not affect a referenced data record based on data submitted in

⁴ Where trades are represented by the Generic Template the Confirmation message sent to the FXTR would consist of a PDF copy of the paper confirmation. Where trades can be represented by an MT306, a PDF copy of the SWIFT message could be sent to the FXTR.

a trade record. This not only risks the FXTR making an incorrect update to the referenced data record but the protocol for the submitting party to verify the accuracy of data would be complex for both the TR and the submitting firm to implement.

An example of this would be the end-to-end workflow around block trade submission and allocation. CFTC 17 CFR Part 45 Swap Data Recordkeeping and Reporting Requirements requires firms to submit the block trade and to submit the trade allocation, referencing the original block trade (for full allocation trade workflow see section 4.4.1). One potential workflow would be for an FXTR to receive only the allocation leg and use the reference to the block to update the status of the block. However, there are workflows (such as partial allocation where more legs are pending) which an FXTR would not have complete information and therefore may update the block record in a manner which is not consistent with the submitting firm's records. Thus, the working group as a principle suggests that the submitting firm update the status of the original trade explicitly at the FXTR rather than allowing for an FXTR to infer and apply updates to previously submitted trade records.

Another example is in the case of a cleared trade where a party has submitted the bilateral trade ahead of the CCP novation. In this instance, the DCO may report the trade to a TR indicating that the trade has been cleared. Again, there is the potential for a workflow where the FXTR updates the bilateral trade either by closing it or by amending the trade to indicate that it now faces the CCP. However, again, the risk of a mismatch between the submitting firms internal records and the FXTR and the subsequent need to develop verification and correction workflows has left the Market Architecture Group suggesting that the submitting party correct their submission rather than the FXTR allowing a 3rd party action to directly affect another party's record.

3.5 Dual sided reporting

The Market Architecture Group believes that dual-reporting (i.e. both parties to the trade reporting the details to an FXTR) should be adopted as standard market practice and as such the workflows reflect this model. This reflects the belief that firms that have a legal obligation to report may wish to do so rather than delegate this responsibility. The FXTR would therefore need to be capable of accommodating multiple submissions and records. In a scenario where the FXTR is reporting to multiple regulators, the MAG also believes that the trade record submitted to each regulator should be the record maintained by the firm with the associated legal obligation (unless a firm wishes to rely on another participant's trade record). Dual reporting would also allow for a full audit trail for transactions and helps to facilitate workflow. However, acknowledging that there are varying technical capabilities within the FX market place, and instances where there may only be an obligation to report placed on one counterparty to the transaction, the workflows and recommendations set out here can accommodate this. Note that a functional assumption is made that an FXTR would employ logic to avoid dual reporting to regulators or the ticker.

3.6 Referential integrity

The working group believes that referential integrity should be maintained between the originating trade and any subsequent changes to the trade (either through trade modification or business event processes such as allocation). However, the working group recognizes that this may be a challenge for some firms and thus has not made referential integrity a necessary component of the proposed trade workflows.

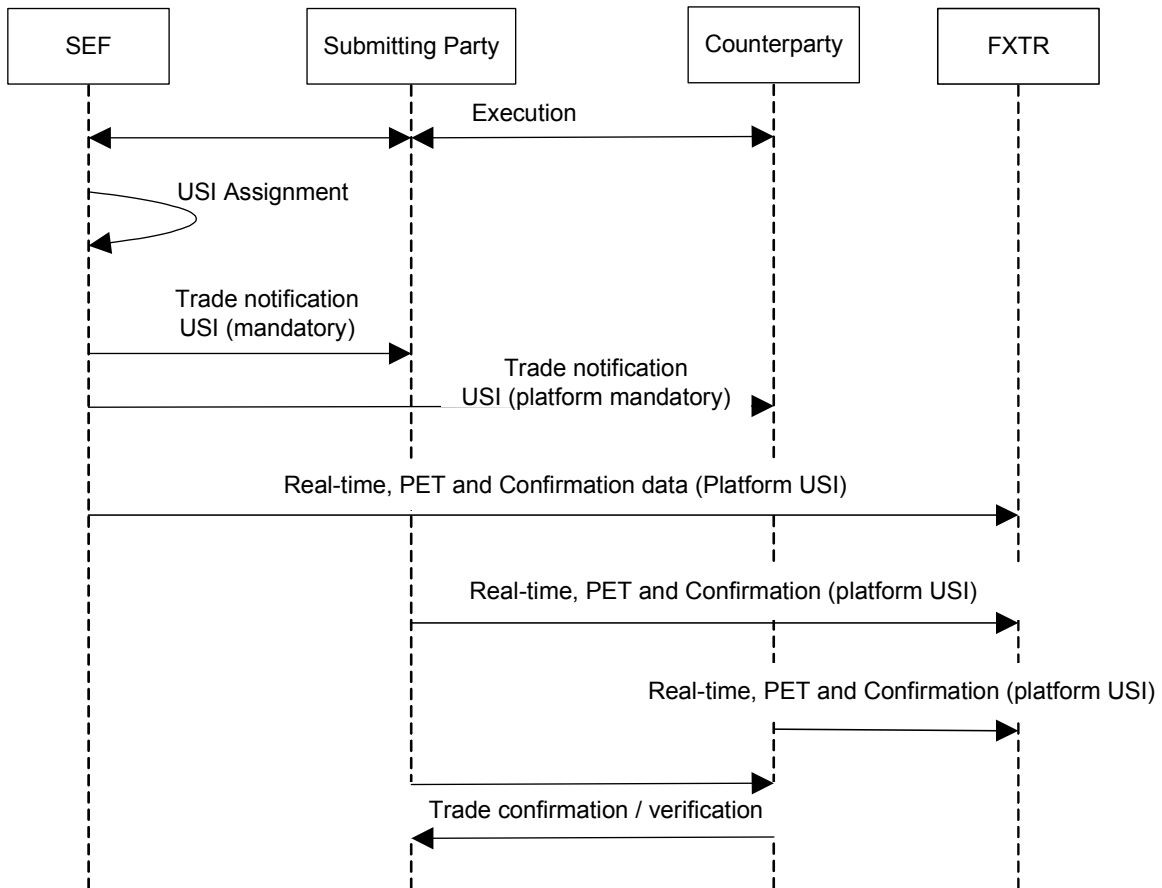
As the working group is focused on a global framework, referential integrity is only suggested, as there may be reporting jurisdictions for which there are no regulatory requirements to maintain a linked audit history. However, in the context of the CFTC 17 CFR Part 45 Swap Data Recordkeeping and Reporting Requirements, the working group notes that there is a requirement for an FXTR to maintain the linkage between trades and thus the submitting party would need to provide the necessary data to enable an FXTR to fulfill its requirement to link the records.

4 Trade Workflows

4.1 Platform trades

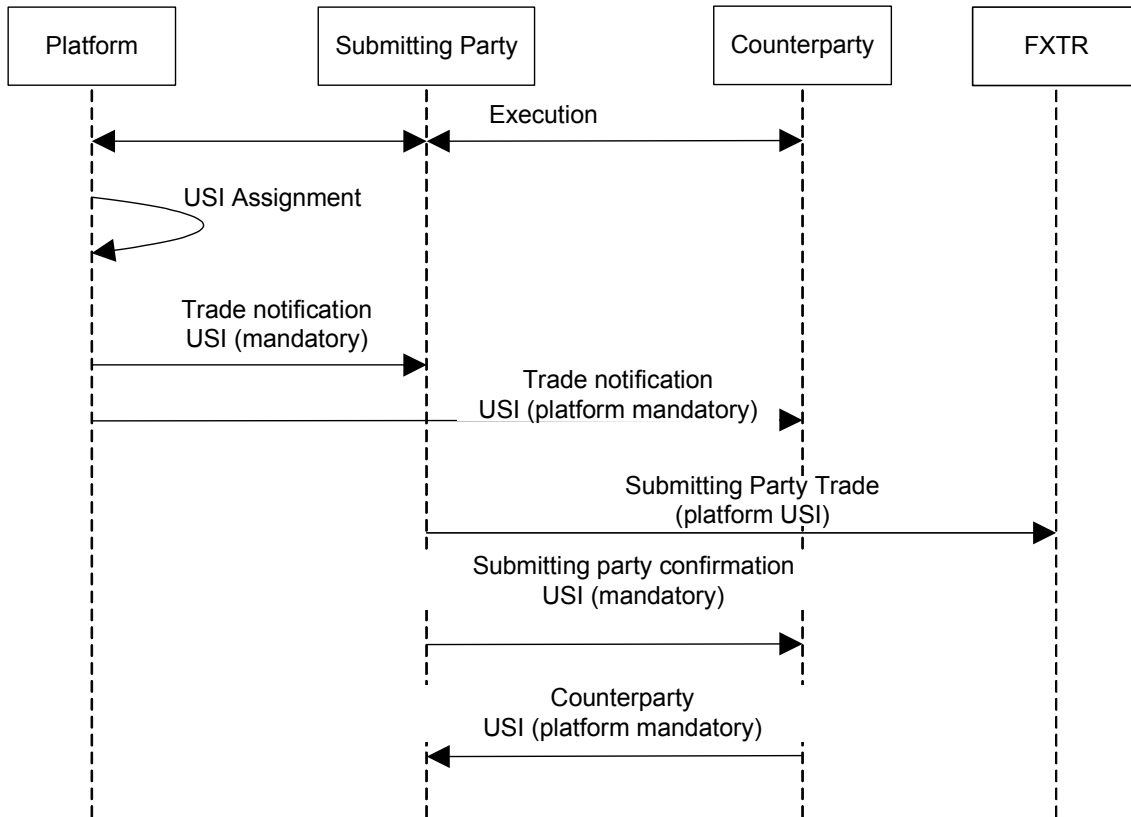
Under Dodd Frank in the US, platform trades will occur on SEF and non-SEF platforms. The platform designations for other jurisdictions are not clear at present. The below describes the workflows in both cases.

For transactions which are executed electronically on a registered SEF, the SEF on which the trade is executed is responsible for assigning the USI. If subsequent events occur on the platform which are USI creating, then the platform is also responsible for assignment of USI (such as block and allocation processing)



Note that the platform assigns the USI at the point of execution and this is then referenced by all parties to the trade at the trade repository. Also note that the SEF is required to report the transaction directly to the FXTR.

In the case of an ECN or other platforms who do not wish to implement full SEF functionality, the flow would appear as:



It should be noted that this flow is dependent upon ECNs being permitted to assign a USI to the trade. To deal with requirements in the US, the GFMA FX Division has approached the CFTC to request that ECNs may be allocated a USI namespace without the requirement for the ECN to register as a SEF. This would facilitate exchange of USIs at the point of execution. However, in the absence of this, trades would follow the bilateral trade workflow.

It is suggested that bank labeled e-commerce platforms would follow this workflow (i.e. assign and notify USI). However, should the platform fail to provide the USI, the bilateral trade workflows would be leveraged to communicate the USI.

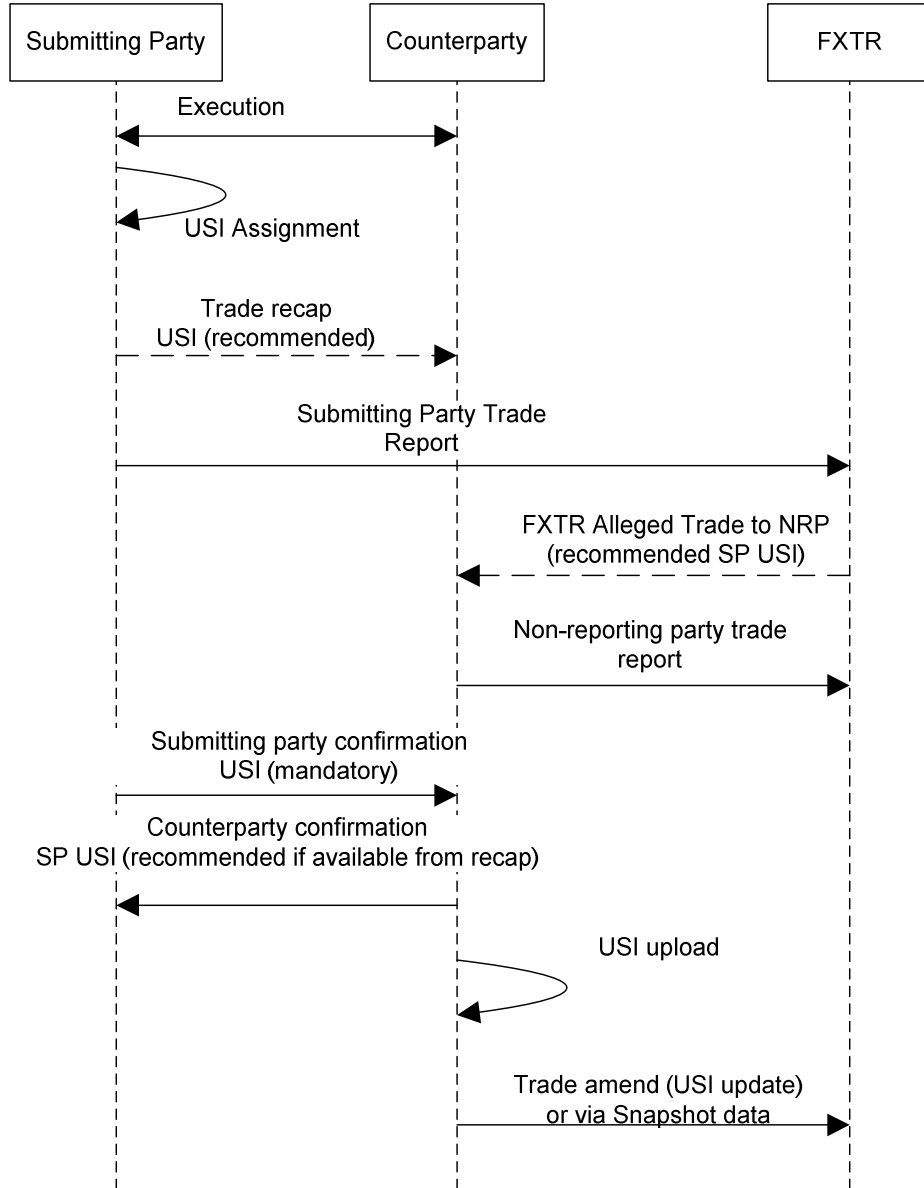
4.2 Bilateral trades

Where trades are executed bilaterally or off-platform, the working group has developed an our ref / your ref protocol whereby firms may assign their own unique identifier as a universal identifier in cases where they are legally obligated to report (i.e. the same identifier used on the transaction reported to each TR). In order to then enable the regulator to enquire of the trade through a specific reference, the identifier would then need to be made available to the counterparty. Further in support of this model, the CFTC has indicated that for parties who are not registered directly under Dodd-Frank, they do not have legal authority to recognize the non-Dodd-Frank's party USI as valid.

Accordingly, the MAG suggests a framework whereby counterparties exchange identifiers as though each is the reporting party. An FXTR can then determine the reporting party and thus which identifier to use as the USI in the context of the CFTC whilst enabling the FX market to limit the number of trade identifiers that need to be managed on any given transaction to two, regardless of the number of regulatory jurisdictions a trade may be reported under. This has the advantage of creating operational consistency for all trades, alleviating the need for firms to implement reporting party rules specific to any jurisdiction and limits the number of identifiers parties will need to manage on any given trade.

4.2.1 Proposed Workflow for New Bilateral Trades

In this flow the submitting party would assign the USI immediately after execution. The USI is then suggested to be communicated during the trade recap (either during trade STP via middleware or as part of an email or chat based message in order to transmit the USI as close to execution as possible). It is also suggested that the USI be communicated as part of any FXTR NRP ACK – thereby providing a second means of communicating the USI between the counterparties. Finally, it is suggested that the USI be communicated as a mandatory field on the trade confirmation – although merely for the purposes of conveyance and not as a matching field. This provides the counterparty three opportunities to capture the USI – at the point of capture of the recap, at the point of verification that reporting duty has been carried out, and at the point of confirmation.

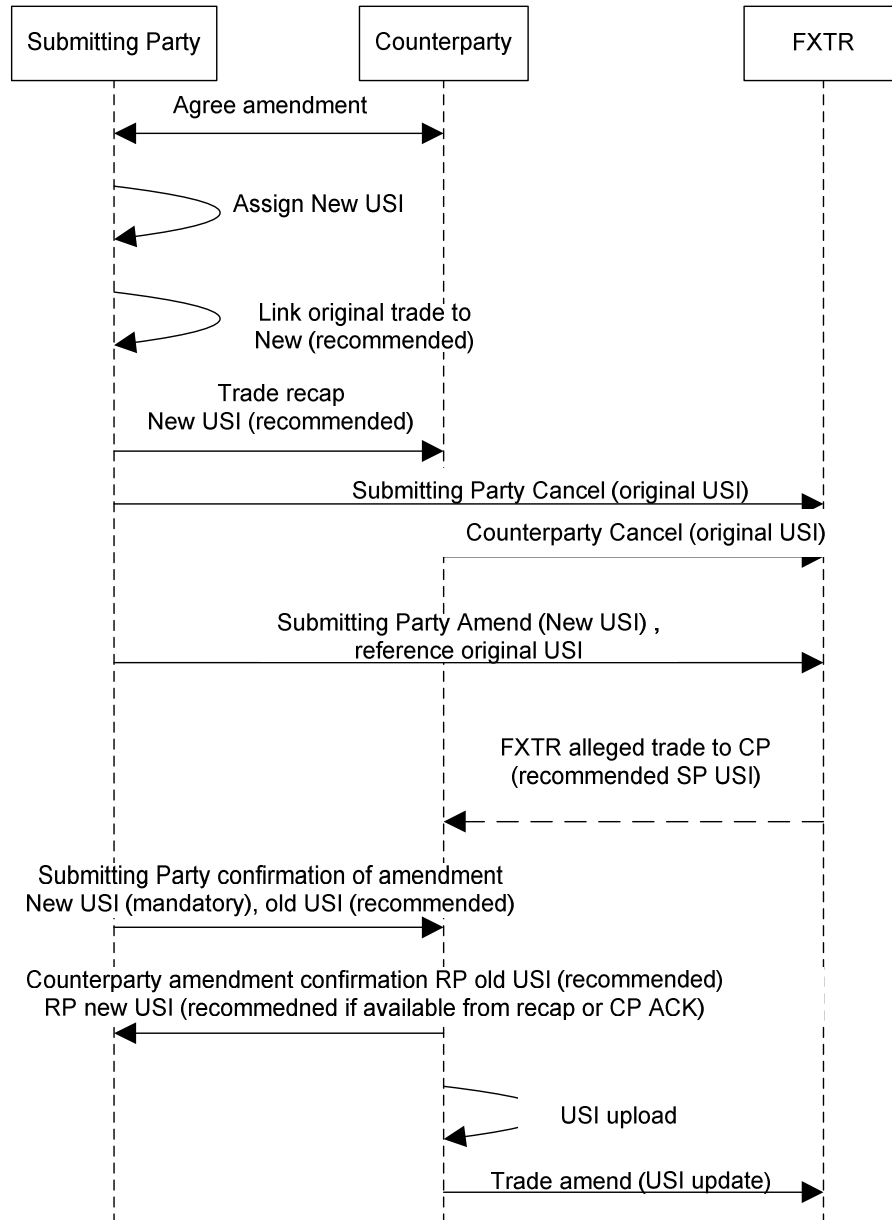


Note that this workflow requires an FXTR to allow an update to the USI of a non-paired trade as part of the transaction flow. It should also be noted that there is a dependency on the confirmation platform to provide a means by which the USI can be communicated.

4.2.2 Bilateral flow – trade amendments (exceptions flow)

Under the primary workflow for trade amendments, parties would agree to retain the original USI and simply amend the relevant trade records accordingly in order to create more effective processing and record management with the FXTR.

In the case of trade amendments where the parties have agreed that the original USI on the trade cannot be maintained, a flow has been created that follows a cancel and replace protocol, but provides guidance for maintaining the reference to the original transaction. Note that this is considered to be an exception case for counterparty interactions where a new USI is required by one side and not a primary workflow.



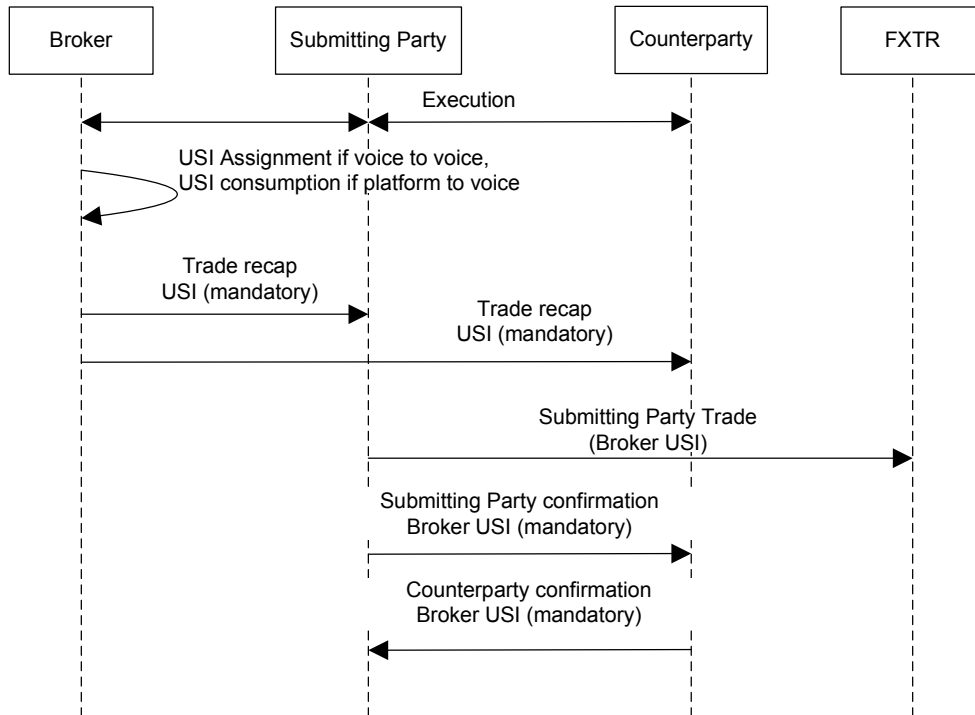
During the course of the amendment notification to the FXTR, the original transaction would be cancelled by referencing the original USI. The amendment or correction leg would

then be communicated using a newly assigned USI, which would be communicated to the counterparty to the transaction. It should be noted that this workflow does not prevent the parties from agreeing to retain the original USI – in which case the cancel would become superfluous and both parties could update their trade record directly (thereby creating a more efficient message flow).

4.3 Brokered trades

In the case of brokered trades, there were several discussions as to if and how voice brokers should or could own USI generation. Consideration was given to the method of execution by the broker and to the degree of STP between brokers and trading parties. The method of execution ended up being the crucial piece for suggesting that brokers should own the USI generation. Specifically because brokers may access liquidity on platforms (either SEFs, ECNs or bank branded e-commerce platforms) and because the other side of the transaction will have no knowledge or visibility into how the price was derived it is suggested that the broker should provide the USI to the trade.

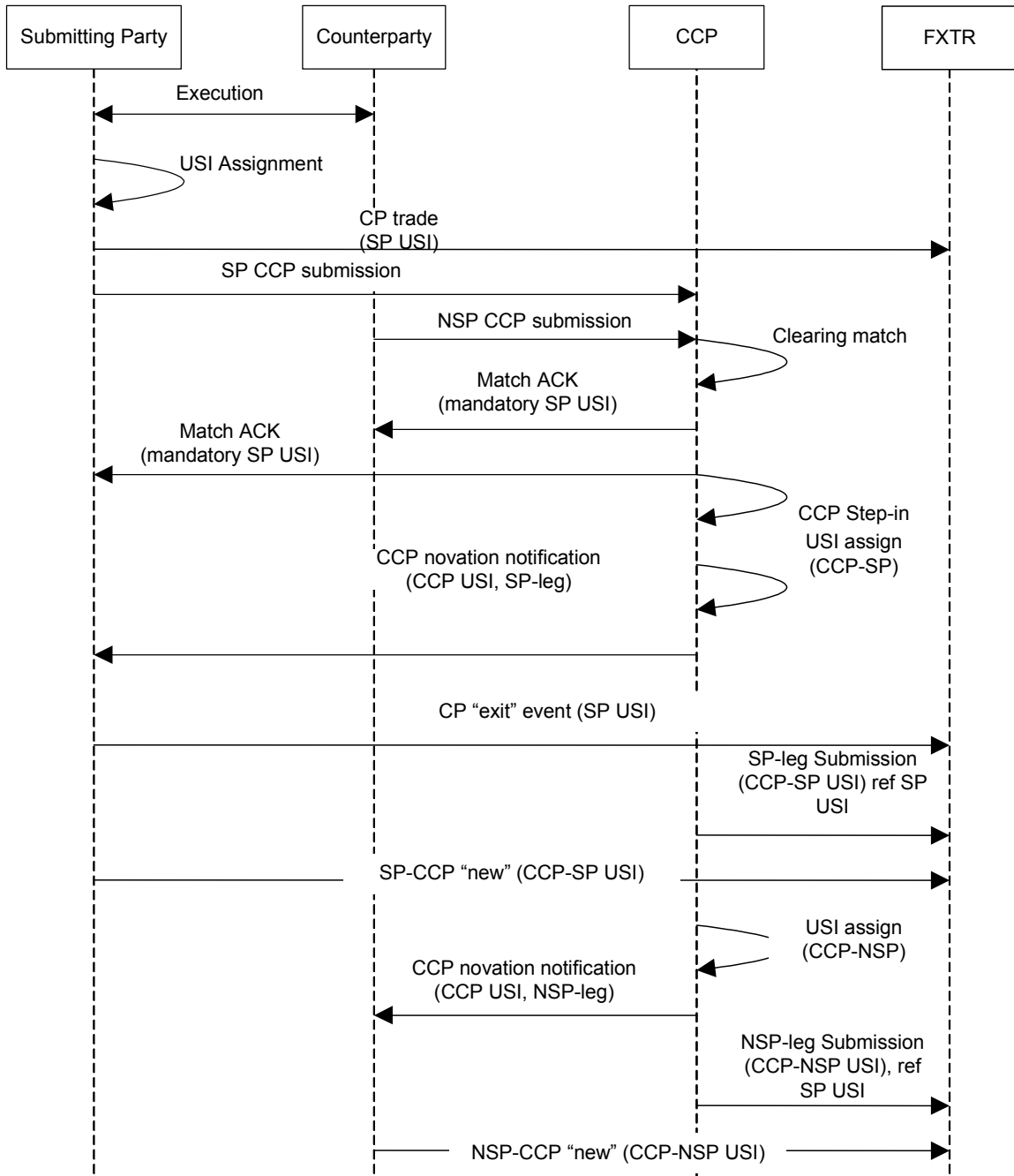
In the case where the broker uses the price from a platform, the broker would pass through the USI from the platform to the counterparty. In the case where the trade was voice brokered the USI would be generated and passed by the broker – thereby ensuring anonymity of price sourcing by the broker and preventing the platforms from differentiating USI workflow based on the type of party executing on their platform.



For submitting party / non-submitting party the USI would then be exchanged following the platform workflow (i.e. exchanged on confirmation referencing the USI provided by the broker).

4.3.1 Cleared Trades

The cleared trade workflow is influenced by the CFTC rules. The rules prescribe certain elements which the flows are intended to accommodate.



Derived from the CFTC part 45 trade reporting rules, the bilateral trade would be assigned a USI by the reporting party who submits the trade to the trade repository. During the trade matching / trade pairing process at the CCP a “confirmation” of the trade is created and the ACK to the match is used to communicate the reporting party’s USI to the non-reporting party – following the USI communicated on confirmation logic for bilateral trades.

At the point where the CCP steps into the trade, the old bilateral USI would be destroyed and each leg of the trade to the CCP be assigned a new USI (i.e. Reporting Party – CCP and Non-Reporting Party – CCP). These are communicated to the firms during the clearing notification. In response, the parties would need to send a “cancel” or “exit” to the bilateral transaction to the trade repository and in keeping with the dual-submission model submit “new” transactions for their transaction facing the CCP.

It is assumed the CCP would also report the transactions to the trade repository.

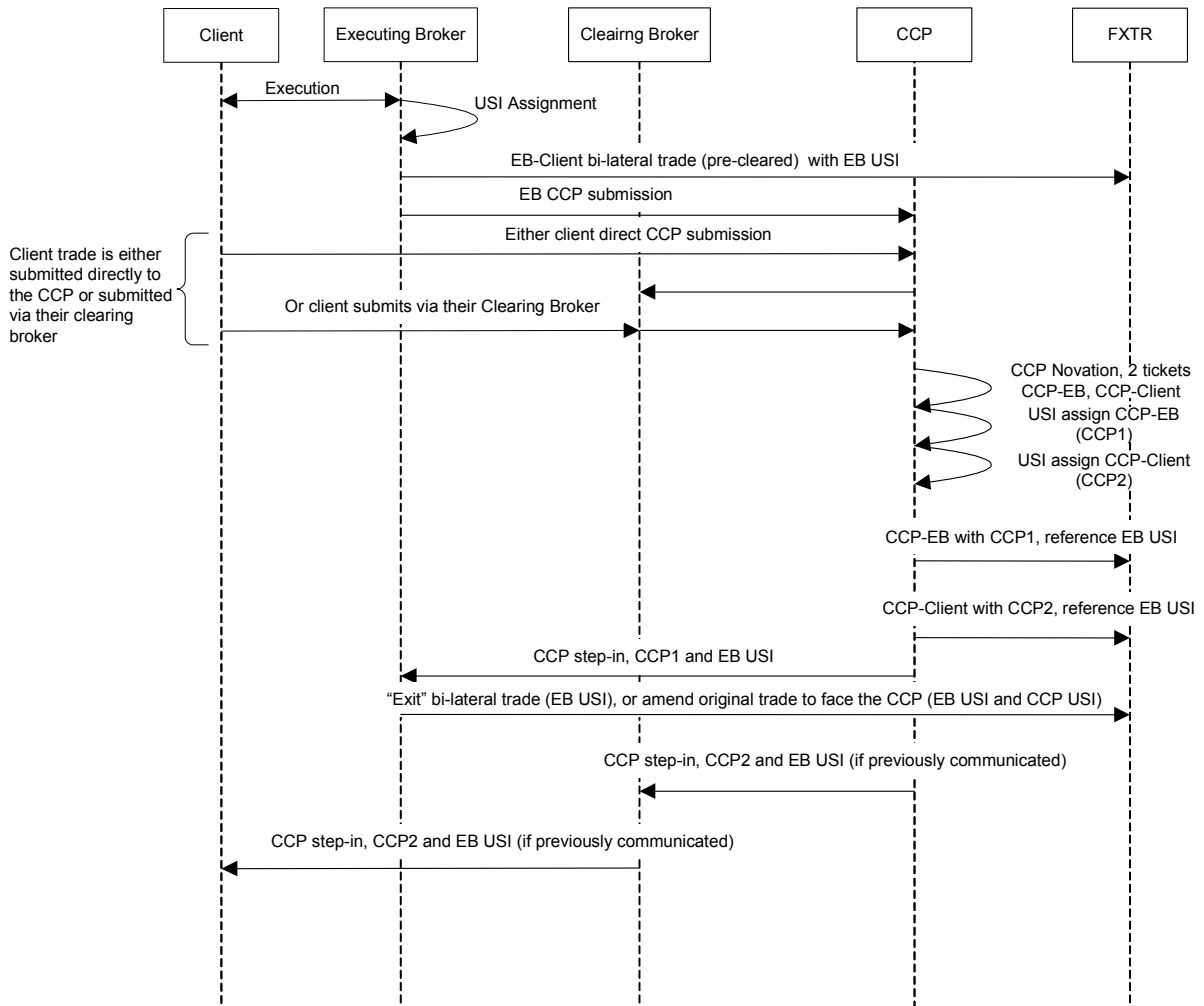
Note that regardless of the CCP reporting to the TR, there are potential scenarios whereby the CCP may not register a transaction within the regulatory reporting timeframes specified by the CFTC. As such, the workflow documents a flow that will enable a firm to fulfill its obligation independent of the actions taken by the CCP.

Due to the differences in business model at the various CCPs, market participants will need to speak directly to the FX clearing houses to understand the effects of the default management process on the USI trade flow as well as the effects of trade registration and trade compression and the solution to enable firms to submit independent valuations with a common identifier to the FXTR.

4.3.2 Clearing Broker Trade Flow

In the case of the clearing broker (CB), there are two places where the CB may be notified of the execution – either pre-clearing or post-clearing, depending on the clearing house and customer arrangement. Because this is an evolving market structure, the flow is flexible to allow freedom as to how and when the workflows develop.

Prime Brokerage and credit intermediation flows are covered later in the document (4.4.2).



4.3.3 New CCP Hedge Trade

During a default management process, a clearing house may execute new trades between themselves and other counterparties to reduce their own market risk exposure. These will be new trades between a CCP and another market participant. It is suggested that the counterparty with whom the CCP traded would take on all their expected inception reporting responsibilities based on a trade with an unclassified counterparty including generation of the initial USI. The counterparty with whom the CCP traded and the CCP would then take on post-clearing reporting obligations for the cleared trade as if the trade had been executed bilaterally prior to clearing (with the counterparty having had inception reporting responsibility) and then cleared. This may include the CCP generating a USI for the trade at the point it is accepted into the regular clearing system.

4.3.4 Novation as Part of CCP Default Management

During a default management process, a Clearing House may look to novate a trade that was between the CCP and a defaulted party to now be between the CCP and another clearing member. This process would follow the normal novation USI workflow, with the following exceptions:

- The CCP is suggested as being the entity responsible for reporting of the new Trade
- The CCP would be responsible for assigning the USI for both the original and new USIs and so could elect to reuse the USI
- Where the replacement clearing member has paid a fee for either this single trade or a portfolio containing this trade, the CCP would be responsible for reporting this fee
- The replacement counterparty with whom the CCP traded would take on post-clearing reporting obligations for the cleared trade as if the trade had been executed bilaterally prior to clearing and they had been the Reporting Party on it (as per part 45 of the final CFTC rules, this is expected to be solely valuations).

4.4 Post trade USI forming events

The following events are believed to be USI forming, or potentially USI forming, at the discretion of the submitting party:

- Trade allocation
- Trade aggregation / compression
- Prime Brokerage Give-up
- Clearing
- Partial termination
- Trade extension, roll-over and historic rate roll-over (HRRO)
- Options exercise
- Partial Exercise
- Novation and Partial Novation

4.4.1 Trade Allocation

Following the principle of trade record ownership by the submitting party, the trade allocation workflow would require both the submission of the individual allocation legs as well as a submission to indicate change in status of the original block trade. It is noted again that within a global trade repository framework that referential integrity between the block and allocation may not be required, but that it is required under the US CFTC regulations.

Within the CFTC 17 CFR 45, there is specific text and language in discussion of the block and allocation:

§ 45.3

.....

(e) *Allocations.* For swaps involving allocation, required swap creation data shall be reported to a single swap data repository as follows.

(i) *Initial swap between reporting counterparty and agent.* The initial swap transaction between the reporting counterparty and the agent shall be reported as required by §§ 45.3(a) through 45.3(d) of this part. A unique swap identifier for the initial swap transaction must be created as provided in § 45.5 of this part.

(ii) *Post-allocation swaps.*

(A) *Duties of the agent.* In accordance with this section, the agent shall inform the reporting counterparty of the identities of the reporting counterparty's actual counterparties resulting from allocation, as soon as technologically practicable after execution, but not later than eight business hours after execution.

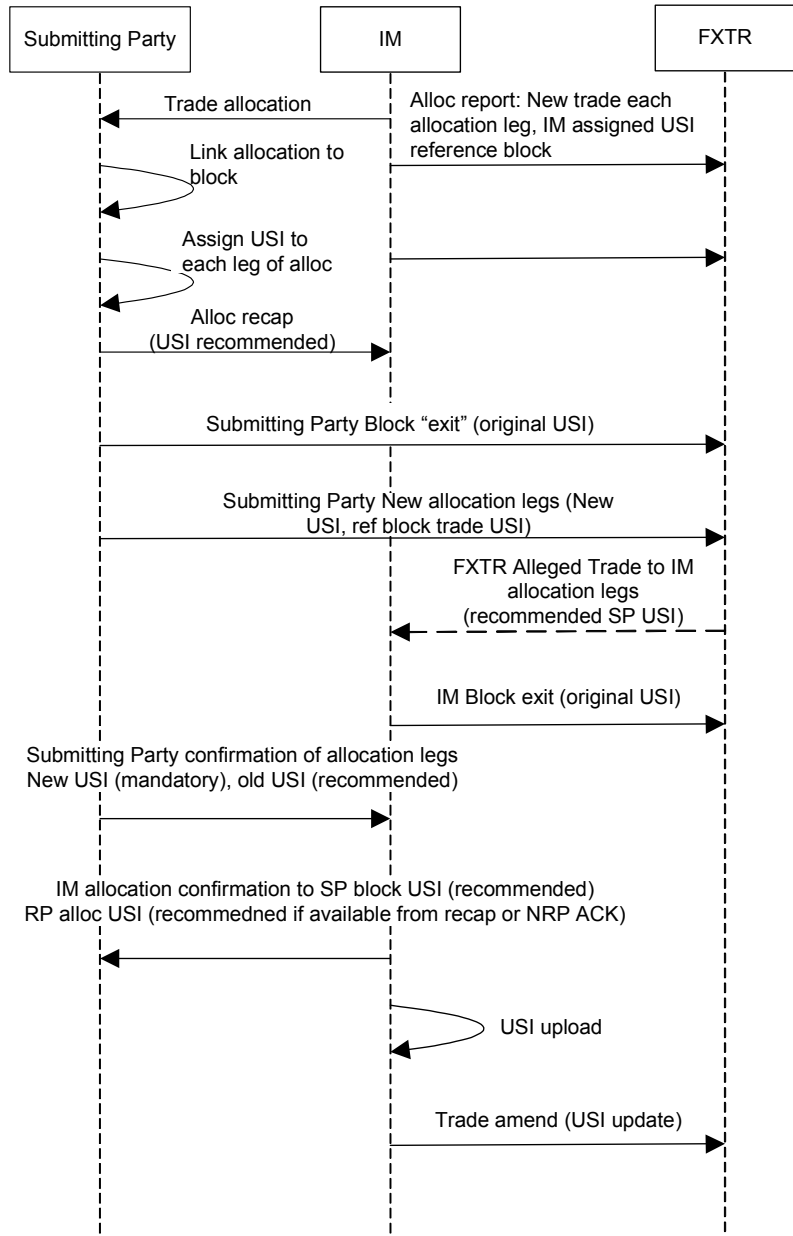
(B) *Duties of the reporting counterparty.* The reporting counterparty must report all required swap creation data for each swap resulting from allocation, to the same swap data repository to which the initial swap transaction is reported, as soon as technologically practicable after it is informed by the agent of the identities of its actual counterparties. The reporting counterparty must create a unique swap identifier for each such swap as required in § 45.5 of this part.

(C) *Duties of the swap data repository.* The swap data repository to which the initial swap transaction and the post-allocation swaps are reported must map together the unique swap identifiers of the original swap transaction and of each of the post-allocation swaps.

It should also be noted that the block trade itself may not have been reportable, but any number of allocation legs may be (in the case of forward rolls). The working group believes that imposing different data submission standards on the child based on data submission actions for the parent would create a workflow complexity on the submitting parties that does not necessarily provide benefit to any party. Thus the workflows intentionally treat the allocation submission as independent of the action taken on the parent – in full recognition that an allocation leg may be submitted with either a block reference ID which is not registered in the TR or an empty or null block reference ID depending on how firms have implemented their USI generation.

Flow accounts for both IM who have Submitting Party responsibility as well as IM who decide to dual-submit to an FXTR regardless of legal requirement

Note, block exit and new allocation leg submission should be allowed to occur independently in any sequence or as an autonomous transaction.



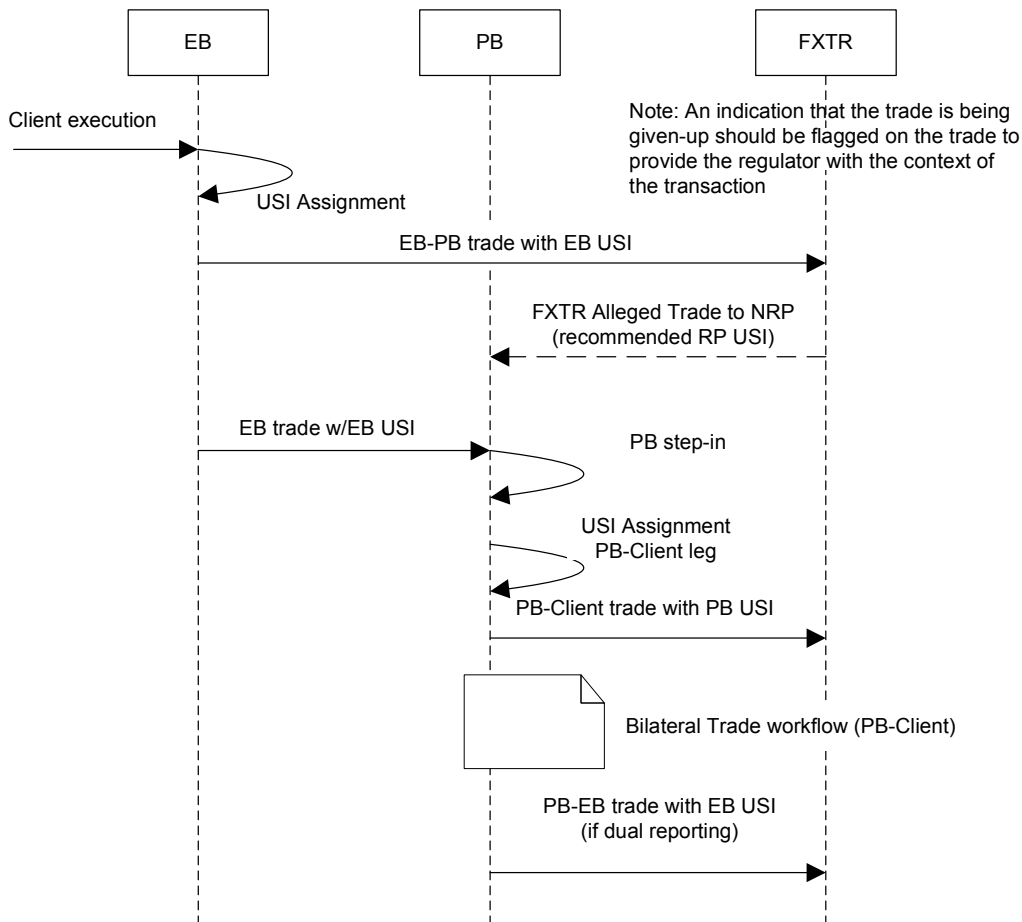
4.4.2 Aggregation / Compression

Again, it is noted that under the US CFTC regulations, referential integrity of the trade history should be preserved. Thus where the submitting party aggregates trade positions, the MAG believes they would be required to exit the original submissions and the newly reported position should reference the identifiers of all trades which were aggregated to form the new position.

4.4.3 Prime Brokerage Give-up

During the give-up, it is suggested that the executing broker (EB) will report to an FXTR referencing the prime broker (PB) as the counterparty without reference to the PB client. It is suggested that the EB tag the trade as being part of a give-up so that the nature of the transaction can be fully understood by the regulator to whom the trade is reported. The EB is suggested to generate the trade USI – thus over riding any trade reporting rules should a prime brokerage client also be deemed a Swap Dealer in the US and potentially have equal reporting hierarchy and therefore reporting requirements to the CFTC.

At the point where the PB steps into the trade, the EB-PB leg would retain the USI originally assigned by the EB, and the PB would assign a new USI to the PB-Client leg of the transaction. The PB-Client leg would then follow the bilateral trade flow in terms of assignment and communication of USI between the PB client and their prime broker (i.e. USI included on any trade recap and included on the confirmation as a ‘mandatory’ field). The PB-Client leg is not viewed as a price forming trade and realtime reporting would therefore be suppressed. As best practice, the PB-Client leg is suggested to reference the USI of the EB-PB leg.

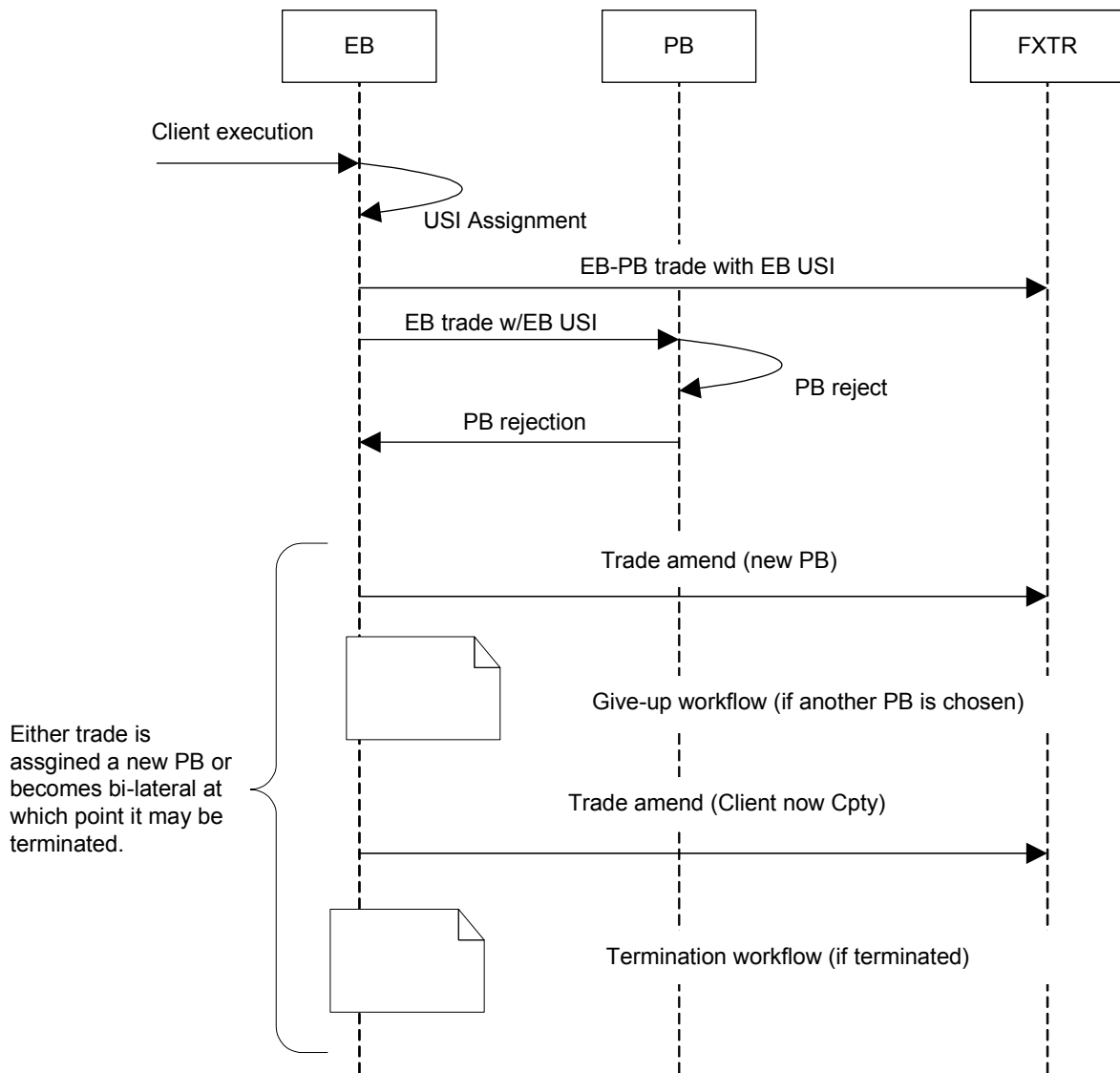


Should the PB choose to report the EB-leg of the step-in, then the trade would be reported with reference to the EB USI. Note that from a workflow perspective the PB would have an EB-PB leg which would follow the “platform” workflow and a PB-Client leg which would follow the “bilateral” workflow.

The give-up would be treated similar to a post-allocation transaction in that the PB client would be indicated as an agent to the trade in order to keep the information system whole and enable the CFTC to determine the point at which the PB client entered the trade as part of its market monitoring mandate.

4.4.4 PB trade rejection

Should the prime broker reject the trade due to a failure to meet the terms of the designation notice, then the following would occur:



Upon notification of the rejection, the execution broker and client can either determine to submit to another prime broker by first amending the original submission to face the new prime broker and then following the give-up workflow or the trade can be treated bilaterally (either by staying on the books or by being terminated). If the trade is to remain bilateral, the executing broker would notify the FXTR of the change of counterparty name (i.e. specify the PB client as their counterparty); if the trade is to be terminated it would follow the termination workflow.

4.4.5 Clearing

The clearing workflow is discussed in section 4.3.1 above

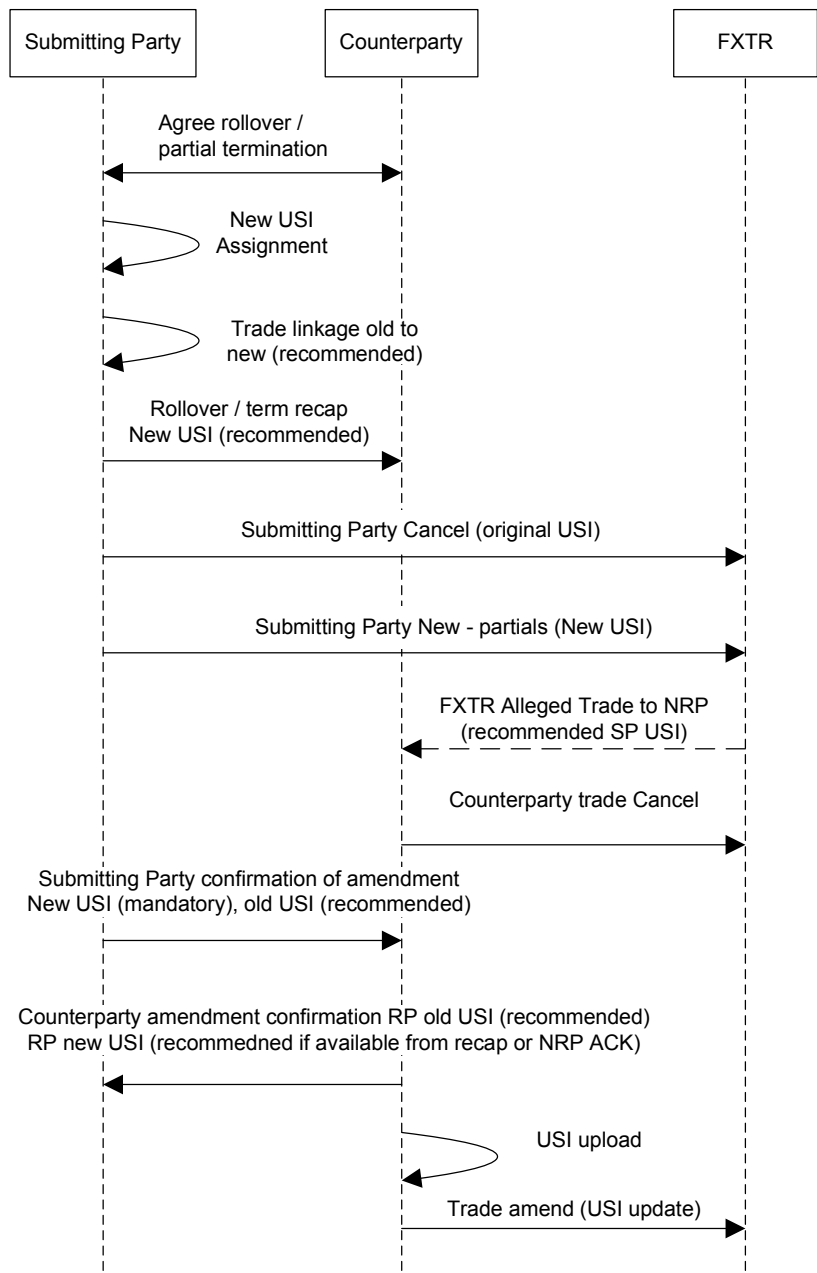
4.4.6 Partial Termination / Extension / Roll-over / HRRO

In evaluating these cases consideration was given to the challenges to the market in standardizing data submissions (see 3.3 for further detail). Generally, the model the MAG supports is to create a standard for trade creation and trade linkage on the initiation of the trade. For subsequent post-trade events, each party submitting data to the FXTR should be responsible for linking its update to the original transaction and for the economic validity of the information within the totality of their submission regarding the transaction.

Thus the submitting party would be free to use its own model, whether that be to report a new trade representing the adjustment to the original trade with a new USI, or to adjust the notional (and rate to capture any charge for the transaction).

However, it is suggested, based on current market practices that an Historic Rate Roll-Over (HRRO) trade would be treated as an amendment to the existing trade and so carry over the existing USI, whereas a Roll-over trade executed off a new spot reference would be treated as a new FX Swap transaction and reported as such (with two new USIs).

In the case where one or more parties cannot maintain referential integrity between the original transaction and their internal representation of the post-trade event, the following flow may be applicable.



In this instance, the parties would agree the rollover of termination event. As there is principal remaining, the original transaction would be cancelled at the FXTR and a new trade with a new USI and reference to the original transaction would be reported, representing the remaining position.

4.4.7 Options Exercise

When reviewing options exercise, the working group believed that it could either be a USI forming event or not. The MAG's suggestion was that it not be a USI forming event, based on the following logic:

- 1) It was suggested that an option exercise should not produce a real-time price report – particularly because a deep in-the-money option would likely print a price outside the daily range and would be misleading for anyone consuming publicly tradable prices
- 2) In order to suppress any real-time price feed market participants would necessarily need to identify the trade tickets which are produced as a result of an options exercise (referred to in this document as the “exercise ticket”)
- 3) Given that the exercise ticket has a requirement to be identified, it is therefore reasonable to discuss if these tickets would require a different workflow – specifically if they should be treated as settlement events on the option (i.e. reported as part of the continuation data) or if they should be reported as separate transactions.
- 4) The working group believes the preferred workflow would be that the option exercise appear in the continuation data and that the exercise maintain the USI from the options contract from which it originated. Note that:
 - a. There is on-going to discussion on how UPI should be treated as the trade moves from option to underlying.
 - b. This workflow would need to be considered against other asset classes to ensure consistent representation.

4.4.8 Partial Exercise

Although a rare event, it is noted that the settlement flow resulting from a partial exercise would necessarily be required to be reported with a new USI. This is subject to the trade being reportable under the prevailing regulations.

As in the case of exercise, to the extent that this trade would be reportable, the creation of the trade is not believed to be a price forming event as the trade is a continuation of the position of the parent option and reporting of the price would be suppressed as the trade price would be off market. It is suggested that the trade refer to the USI of the parent option.

4.4.9 Novation and Partial Novation

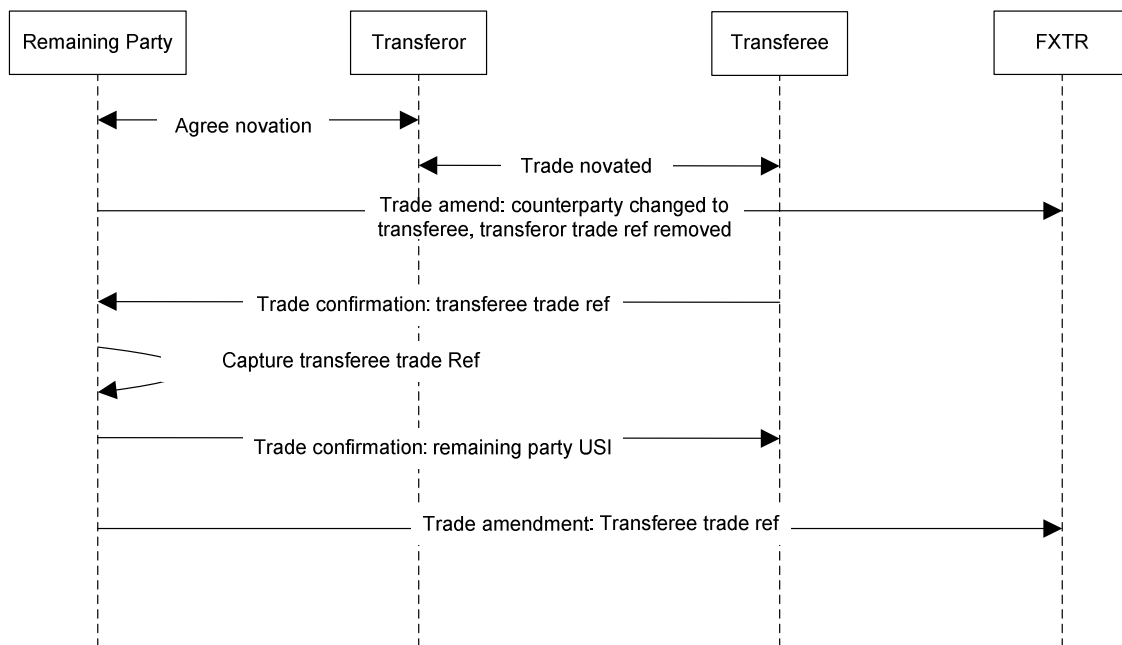
In the case of novation, the group considered both the price forming attributes of the transaction – the payment of fees between the transferee and the transferor and the reporting obligations to the FXTR. There are three parties to the trade each with different consideration. These are:

- the transferee – the party stepping into the contract
- the transferor – the party stepping out of the contract
- the remaining party – the original and continuing party to the trade

The group then looked at the transaction from the perspective of the remaining party. This prompted the suggestion that the novation is similar to a trade amendment and therefore would follow similar principles: specifically the USI of the remaining party would remain unchanged unless agreed bilaterally with the transferee. However under the dual-exchange model (our ref / your ref) a step is required whereby the transferee notifies the remaining party of their trade identifier and this is then applied and updated to the FXTR as part of the overall data flow.

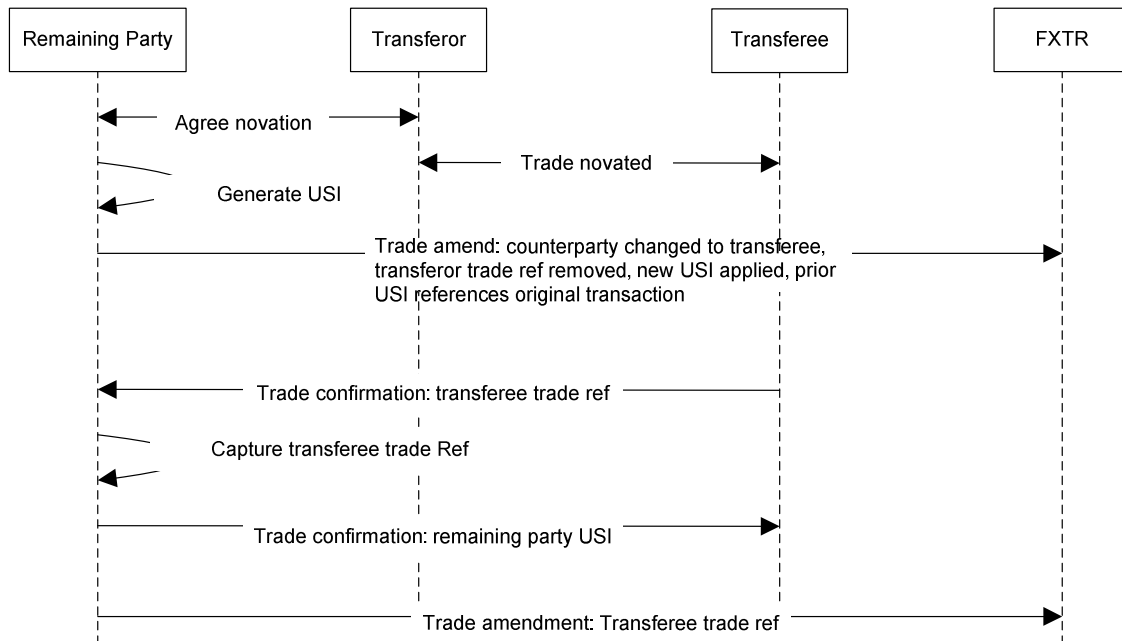
The dataflow from the perspective of the Remaining Party is set out below.

Remaining Party (standard flow)



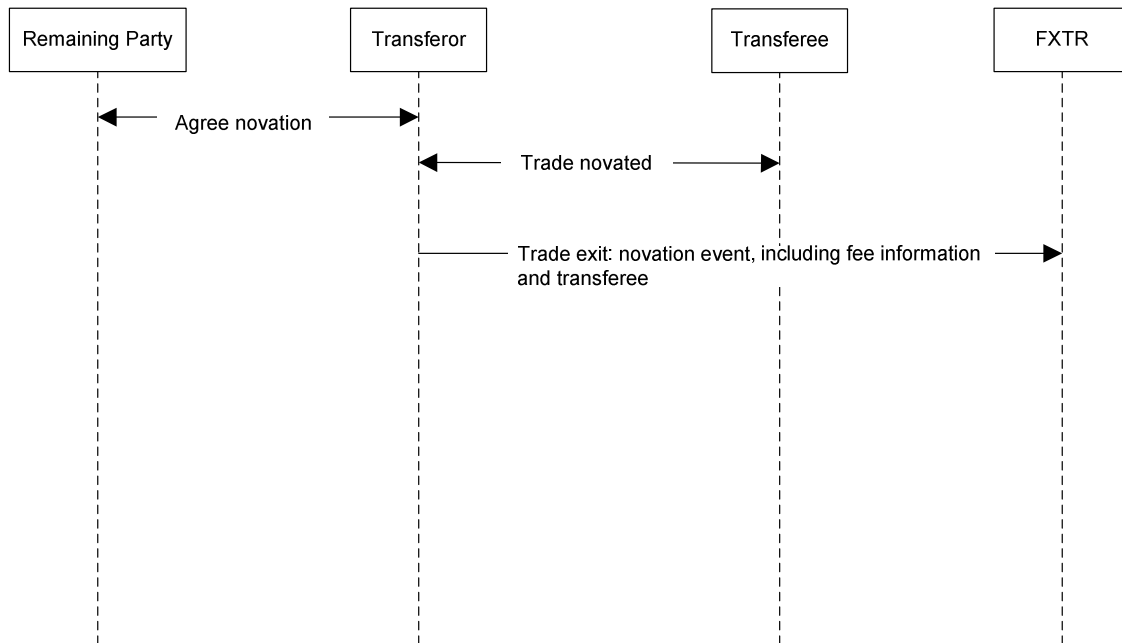
Should the parties agree to create a new USI, then the Remaining Party would generate the USI prior to reporting the change of counterparty to the FXTR and would communicate the USI on the confirmation. An additional task of linking to the prior transaction would be required and the USI of the original trade is referenced as the prior USI.

Remaining Party (new USI flow)



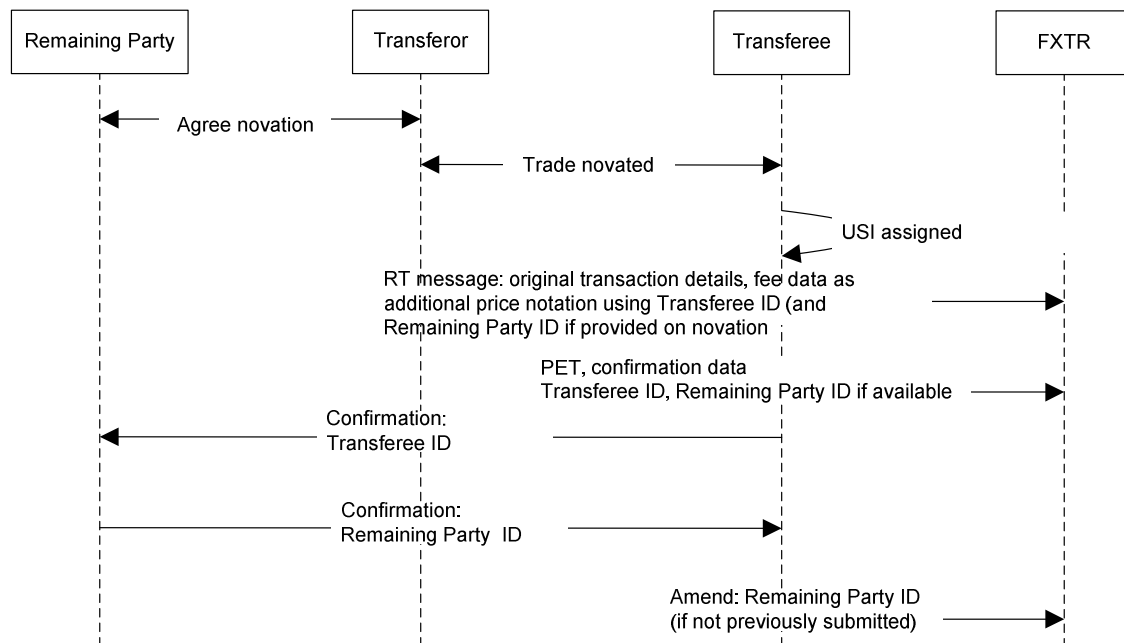
From the view of the transferor, it is now out of the trade. Should a trade record have been previously submitted, then a novation event would be sent to the FXTR, exiting the transaction. As the transferor may also have regulatory reporting obligations it is suggested that the fee data be communicated as part of the trade closure.

Transferor flow



Finally from the perspective of the Transferee, the minimum requirement is understood to be to communicate the fee information for real-time reporting (under CFTC 17 CFR Part 43 Real-Time Public Reporting of Swap Transaction Data) and to submit primary economic terms and confirmation data if it is determined to be the reporting party under CFTC rules or if it is dual-submitting to the FXTR in order to meet global regulatory reporting obligations.

Transferee flow



Note that the workflow considers that the remaining party identifier may have been communicated as part of the novation details and suggests the transferee make use of the remaining party identifier if available.

If operating under a single-submission trade model, the reporting party would be re-evaluated between the remaining party and the transferee upon novation.

4.4.10 Other post-trade events

Other post trade events are currently believed to be non-price forming and non-USI generating. This means that they would be conveyed to the FXTR at the end of each day as part of the continuation data submission. This includes events such as options exercise, barrier option knocks, binary option touches, NDF fixings and other such activities which can occur during the life of a transaction.

5 Historic and Pre-enactment Swaps

For transactions which are required to be loaded to an FXTR but which were transacted prior to the establishment of market standards regarding identifiers (e.g. USI, Legal Entity Identifier) the working group suggests that firms should submit transactions utilizing their existing internal identifiers. Should the transaction then undergo a lifecycle event which is deemed to be USI forming, then the trade would follow the creation and exchange of USI as detailed in this document.

Version Control

New version	Previous version	Summary of changes to previous
20 th September 2012	1 st June 2012	Editing changes throughout document Section 3.3 – minor clarifications Section 4.3.3 – amendments to workflow Section 4.4.6 – amendment to HRRO & roll-over workflow