

Regulatory News Alert

International reports on governance for OTC derivatives markets are published

18 October 2019

On 9 October 2019, the Financial Stability Board (FSB) published a **report on the governance arrangements for the globally harmonized Unique Product Identifier (UPI)**.

In this report, the FSB lays out the conclusions on governance arrangements for the UPI and proposes an implementation plan for those arrangements, together with proposals for next steps to establish an international governance body for the UPI.

In order to fulfill one of the key objectives of the G20 reforms to OTC derivatives markets, the FSB developed the **UPI** which will **uniquely identify the product** involved in over-the-counter (OTC) derivatives transactions reported to trade repositories. Not only will this help authorities to **aggregate data on OTC derivatives transactions by product**; it will also **facilitate the effective use of OTC derivatives trade reporting data**.

The report mainly covers:

- The **identification of the international governance body** for the UPI and the Unique Transaction Identifier (UTI)
- The set-up of the final **key criteria** for the UPI governance arrangements
- The display of **conclusions on the components** of the UPI governance **arrangements** and on the allocation of UPI governance **functions**
- The clarification of the **relationship of the designated UPI service provider to other components** of the governance arrangements
- An elaboration on the **merits of having an international data standard** for the technical structure and format of the UPI code and of UPI reference data elements
- The identification of the **Legal Entity Identifier Regulatory Oversight Committee (LEI ROC) to become the international governance body for the UPI and UTI** (provided that the LEI ROC undergoes adjustments to make it fit-for-purpose for these identifiers by mid-2020).

Considering these technicalities, the FSB recommends that jurisdictions start undertaking necessary actions to implement the UPI technical guidance so that it takes effect **no later**

than the third quarter of 2022. This will likely translate to a review of EMIR to incorporate these changes.

On the same day, 9 October 2019, the Committee on Payments and Market infrastructures-International Organization of Securities Commissions (**CPMI-IOSCO**) published a **report on governance arrangements for critical data elements other than the UTI and UPI** (CDE governance arrangements).

The report's main points of attention addresses:

- The **CDE governance arrangements**
- An identification of the **international governance body** for CDE
- The **different areas** (maintenance, oversight, and implementation) of the CDE **governance functions**
- The effective **allocation** of those governance functions to different bodies, i.e. the maintenance body, the international governance body, and authorities
- An illustration of an **implementation timeline**: both bodies agree that implementation of CDE across all jurisdictions should be **completed within three years** from when this report is published.

Both reports aim to improve the resilience of the OTC derivatives market, enhancing its transparency to help in identifying and addressing financial stability risks and detecting market abuse.

How Deloitte can help

Deloitte's advisory specialists and dedicated services will help you design and implement your business strategy in light of the future evolution of regulatory framework and market trends.

With our Regulatory Watch Kaleidoscope service, Deloitte can also help you stay ahead of the regulatory curve to better manage and plan upcoming regulations.

Your contacts

Laurent Collet

Partner – Strategy Regulatory & Corporate Finance

Tel : +352 45145 2112

lacolet@deloitte.lu

Xavier Zaegel

Partner – Capital Markets/Financial Risk Leader

Tel : +352 45145 2748

xzaegel@deloitte.lu

Pascal Martino

Partner – Banking Leader

Tel : +352 45145 2119

pamartino@deloitte.lu

Kevin Demeyer

Director – Strategy Regulatory & Consulting

Tel : +352 45145 3808

kdemeyer@deloitte.lu

Regulatory Watch Kaleidoscope service

Simon Ramos

Partner – IM Advisory & Consulting

Leader

Tel : +352 45145 2702

siramos@deloitte.lu

Jean-Philippe Peters

Partner – Risk Advisory

Tel : +352 45145 4220

bsauvage@deloitte.lu

Benoit Sauvage

Director – RegWatch,

Strategy & Consulting

Tel : +352 45145 4220

bsauvage@deloitte.lu

Marijana Vuksic

Manager – Strategy Regulatory & Corporate
Finance

Tel : +352 45145 2311

mvuksic@deloitte.lu

Deloitte Luxembourg
20 Boulevard de Kockelscheuer
L-1821 Luxembourg
Grand Duchy of Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

www.deloitte.lu

Deloitte is a multidisciplinary service organisation which is subject to certain regulatory and professional restrictions on the types of services we can provide to our clients, particularly where an audit relationship exists, as independence issues and other conflicts of interest may arise. Any services we commit to deliver to you will comply fully with applicable restrictions.

Due to the constant changes and amendments to Luxembourg legislation, Deloitte cannot assume any liability for the content of this leaflet. It shall only serve as general information and shall not replace the need to consult your Deloitte advisor.

About Deloitte Touche Tohmatsu Limited:

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/lu/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

© 2019 Deloitte General Services

Designed and produced by MarCom at Deloitte Luxembourg