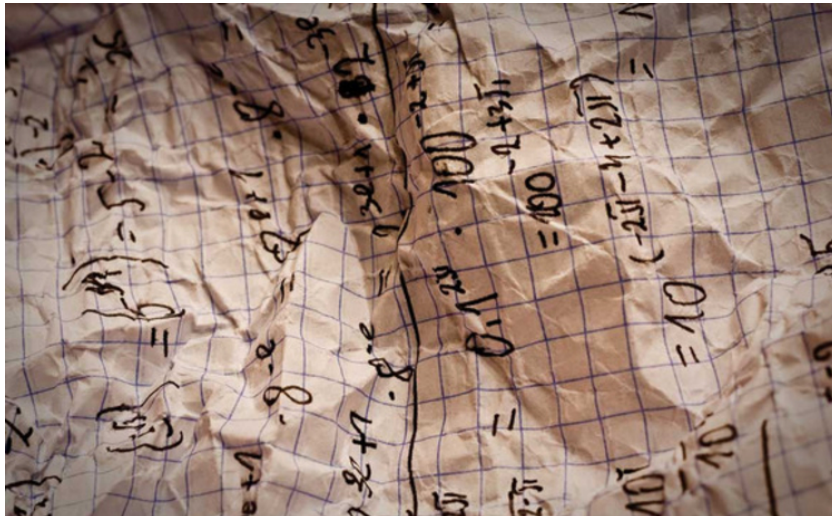


# Derivatives Service Bureau includes alternative identifiers for OTC derivatives UPI

The numbering agency has partnered with SmartStream and ICE to cross-reference and map the underlying asset's identifier to the relevant Isin.



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By Emma Hilary Gould

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The Derivatives Service Bureau (DSB), which provides reference data for derivatives, has opened up its [user acceptance test](#) (UAT) environment for the Unique Product Identifier (UPI) to include the use of identifiers other than the International Securities Identification Numbers (Isin). The UPI UAT, which was launched in April 2023, uses the identification from a derivative's underlying asset, known as an underlier identifier, to issue a UPI for over-the-counter (OTC) derivatives.

Emma Kalliomaki, managing director of the DSB, tells *WatersTechnology* that participants in the UPI UAT environment can

now map a [Sedol](#), [Cusip](#), and [Figi](#) identifier onto an Isin and request a UPI from the DSB.

The [DSB-issued UPIs](#) categorize OTC derivatives based on the derivative's underlying asset. The UPI is designed to improve the process of aggregating OTC derivatives transaction reports. The goal is to help authorities analyze OTC trade reporting data and identify systemic risk and market abuse.

Previously, UPIs were only issued [using the Isin](#), the DSB-issued identifier for underlying assets.

The extension to include alternative identifiers comes ahead of the DSB's UPI production launch on October 16, 2023, and new regulatory reporting requirements coming into effect in 2024.

Regulators will require [US firms to report UPIs](#) in January 2024, followed by EU firms in April, UK firms in September, and Australian firms in October 2024. Kalliomaki says Singapore's timeline for the UPI report is expected to align with Australia's.

"The UPI is essentially the baseline for authorities to aggregate the data they need to carry out their supervisory functions," Kalliomaki says.

"Because the UPI is a global initiative, those jurisdictions who have not yet implemented OTC Isin wanted to enable firms in their jurisdictions to leverage the workflows they may have already been using."

Firms using Sedol, Cusip, or Figi identifiers can use their existing workflows, send a request to the DSB for a UPI, and then have it map back to the Isin and still retrieve a unique UPI.

Kalliomaki explains that the underlier ID—whether that is an [Isin](#), [Sedol](#), [Cusip](#), or [Figi](#)—represents a specific equity or debt instrument. For a firm using Isin, the Isin's associated data elements would tell the user the issuer's identity, the coupon rate, the maturity date, and the currency. That information can then be used to keep track of an OTC derivative by issuing a corresponding UPI, something regulators are keen to do.

The DSB partnered with SmartStream and the Intercontinental Exchange (ICE) to enable the inclusion of alternative identifiers.

ICE will provide the cross-referenced data between identifiers for fixed income and equities, while SmartStream will act as the data aggregator, bringing data from disparate sources together to a single point of contact for the DSB.

“The SmartStream service will allow the DSB to traverse from the identifier the user submits to the corresponding Isin. The Isin is ultimately required to create the OTC UPI,” says Linda Coffman, executive vice president of reference data at SmartStream.

According to a representative from ICE, as a part of the cross-reference symbology process, “ICE will send data files to SmartStream directly.” Then, SmartStream will work as an aggregator in retrieving the ICE underlier data.

“SmartStream will process the data from ICE on behalf of the DSB and then cross reference that data to additional identifiers as needed,” Coffman adds.

According to Kalliomaki, given that the Isin is the only underlier used to issue the UPIs, access to ICE’s underlier data will allow the DSB to ensure that the alternative underlier IDs can be translated into unique DSB-issued Isins, using SmartStream’s software.

Users will need to use the DSB’s Client Onboarding and Support Platform (COSP) to request that the DSB switches on their elected underlier ID. The COSP is an online, self-service platform that allows fee-paying users to perform administrative tasks associated with onboarding and managing a UPI subscription.

The COSP requires that firms create an account using their [legal entity identifier](#) (LEI) code.

Once the firm goes into production, Kalliomaki says, the COSP will allow the firm to sign the necessary legal agreements to transition into the production environment. Once in production, the firms can manage their accounts and their user’s connectivity through the DSB portal.

This is a way for regulators to help manage the undocumented risks of OTC derivatives, which are traded outside of exchanges.

Certain underlying IDs require a license and approval from the data vendor before they can be used. As such, “the DSB will need to get permission from the vendor to confirm that the user has the relevant license or agreement in place in order for the DSB to provide them access to the data,” Kalliomaki says.

She says the DSB will continue to work with the authorities to determine whether additional or alternative underlier IDs may need to be added to the system. For now, the change will make it easier for firms to adhere to the new reference standards while answering to concurrent regulatory reporting requirements.

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