

Via Electronic Submission

September 23, 2024

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
Attn: Comments/RIN 7100-AG-79 Docket R-1837
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Ms. Misback,

I applaud the publication of the proposed rulemaking on the adoption of data standards as outlined in the Financial Data Transparency Act (FDTA) of 2022. I support the selection of pre-existing standards and identifiers but strongly oppose the nomination of the Financial Instrument Global Identifier (FIGI) for the identification of financial instruments. FIGI is not equivalent to the other standards described in the proposed rulemaking and is problematic on a number of levels.

To provide context for this response, I have been involved with data management in the financial industry since 1985, primarily as the neutral facilitator for non-profit entities representing financial institutions, data vendors, regulators and market authorities around the world. I also served on the SEC's Market Data Advisory Committee, the CFTC's Technical Advisory Committee, the European Bank and Regulatory Data Forum and as the Chair of the Data & Technology Subcommittee of the Financial Research Advisory Committee at OFR during the aftermath of the financial crisis of 2008.

I am intimately aware that FIGI is part of Bloomberg's calculated strategy to control identity as the access point for the integration of their content properties into financial institutions. This is a long-established (and long desired) commercial objective of Bloomberg. Owning the access point is the key reason why they are underwriting FIGI and inserting themselves into leadership roles within the ANSI standards process. Bloomberg is positioning their content via the FIGI as the mechanism for mapping their metadata associated with market data, reference data, corporate actions, capital structures, issuer risk, indices, regulatory text, accounting rules, etc. into the environment of financial institutions.

It is important to note that Bloomberg is already the most dominant data provider for financial services. As such, there is tremendous internal pressure for continued growth and much of what they do is designed to promote the analytical and computational power of Bloomberg. They are the most expensive data provider with the most restrictive license agreements in the industry. They are known as "skillful commercial strategists" by many senior financial data executives. Giving them control of the access point for much of the financial industry (with regulatory endorsement) will result in significant barriers to entry for other data and service vendors. I encourage you not to let this become the unintended consequence of FDTA.

Bloomberg's attempts to create an alternative to existing X9 and ISO standards have been underway for over a decade and never on request by the financial industry. As background, let's recognize that FIGI is nothing more than the internal Bloomberg Identifier (BBGID). They rebranded their identifier as FIGI to get the vendor label removed. They used OMG as a mechanism to convert the BBGID to an OMG specification and as a way to get it on the "fast track" to become an ISO standard. OMG is a technical consortium with limited experience in content standards and almost no financial industry membership. They misrepresented FIGI as a methodology, when it is just another special interest identifier. I think there is a reasonable question as to whether OMG meets the intent of the FDITA criteria as a consensus standards body for FIGI.

Even under the fast-track status, the ISO working group and voting members overwhelmingly rejected FIGI as being both duplicative and disruptive to global securities processing. After being rejected by ISO, Bloomberg lobbied the American National Standards Institute (ANSI X9) to make FIGI an ANSI standard. Once again, there was no demand by the industry for FIGI and little participation by financial institutions in the process. I was an active participant in the ANSI process. Bloomberg was appointed as Chair of the working group and asserted control over the standards discussion to actively prevent industry-wide evaluation of their proposal.

One of the important questions is about why Bloomberg is pushing so hard for FIGI to become a standard – particularly when there has been no demand by industry for an alternative to CUSIP/ISIN. I believe it is because Bloomberg understands the requirement to unseat and replace the existing standards to get to their commercial goal of owning the identifier as the common key for data integration. Bloomberg knows that giving away the basic number provides a competitive advantage in selling linked data, processing services, risk analytics and market benchmarking.

Not only are there concerns about motivation, but the adoption of a new identifier carries significant cost to the industry. Most financial institutions have multiple security master files that link to hundreds of systems. They use internal identification keys that would all need to be updated and synchronized. This is further compounded because the purpose and meaning of internal identifiers may have been modified to meet specific objectives. In large financial institutions there are many alternative identifiers that need to be cross-referenced and linked.

These functional and point-based solutions create challenges for financial institutions in tracing transactions from trade execution to confirmation because these IDs are embedded into a myriad of systems, processes and requirements. Resolution can be difficult because firms don't always address the problem at the source. This process of moving and transforming data makes it prone to become dysfunctional and can cause inconsistencies. Firms do tactical resolution which becomes a repeating problem because of the lack of a standard approach to mapping across all data pipelines. Any change to the mapping structure must be synchronized, tested and maintained across all linked processes. This is an expensive proposition because the conversion process not only affects internal systems and processes but would need to be managed for all external mechanisms.

Firms are already under significant cost pressure and have worked to normalize their identifiers. Most have aligned their internal identification schemes with ISIN for communication with external counterparties. They do not want more special purpose identifiers and are seeking to eliminate cross-referencing based on moving data. Swapping from ISIN to FIGI and mapping legacy infrastructures that use a combination of internal and external identifiers would exacerbate the problem.

The more pressing concern I have about the adoption of FIGI is the diversion it creates for the financial industry. We are in a critical moment for data management. Industry is struggling with the challenges of data harmonization and global interconnectivity. The development of instrument identification standards has been long established and is a success story. CUSIP and ISIN are used in almost all securities operations and have been a beacon of stability for the financial industry.

Bloomberg created this issue area and used the commercial license fee as a way to justify and validate their “own it all” strategy. The industry didn’t ask for FIGI and was not involved in the circuitous adoption process pursued by Bloomberg. The financial industry is facing some real challenges related to non-financial risk, clearing and settlement risk and the need for analytical flexibility. This invented industry identification problem shifts focus away from these issues and creates friction in securities operations.

CUSIP was created by the participants in the industry as a foundational building block for identifying financial instruments. It was created to expedite cross-border trading and eliminate costs and risk associated with multiple identification schemes. The CUSIP license fee is the result of a negotiated business relationship the industry initially made with S&P to justify the investment in operational infrastructure, to implement a standards process, to manage conversion, to maintain the securities operations infrastructure and to expand coverage as needed. The CUSIP model is an example of a standards process that works. What is the problem we are trying to solve with FIGI?

If the commercial issues are that important, let the industry deal with them head on. We should not conflate commercial issues with those affecting securities operations. The leading financial institutions sit on the Board of ABA and on the Board of Trustees of CUSIP. They can alter the commercial proposition if they think it a priority. And to the extent that CUSIP licensing is a concern for some participants, my own focused research concludes it is not one shared at the executive level.

I recognize that the disclosure requirements associated with this proposed rulemaking are for the covered agencies. However, since it requires regulators to adopt data standards, it will suggest that the regulated entities will also be required to use the adopted standards in their reporting to the covered agencies. Bloomberg is counting on this inevitability.

I encourage FSOC to retract the FIGI recommendation and focus on the real challenges of global interconnectivity, market transparency and systemic risk. This was the reason why FDTA was drafted into law. The underlying goal of data standardization is to achieve unambiguous shared meaning among participants. Bloomberg is working against this objective. Substituting FIGI for CUSIP/ISIN does nothing to address the real problems of data integration across disparate repositories. Having two standards in the same operational field is equal to having no standard at all.

Respectfully Submitted,

Michael Atkin
Managing Director, Content Strategies LLC