LSEG

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Submitted Electronically

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street NW
Washington, DC 20581

FDTA-INTERAGENCY RULE
c/o Legal Division Docket Manager
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

James P. Sheesley
Assistant Executive Secretary
Attn: Comments/Legal OES (RIN 3064- AF96)
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314–3428

Chief Counsel's Office
Attn: Comment Processing
Office of Financial Research
Department of the Treasury
717 14th Street NW
Washington, DC 20220

Chief Counsel's Office
Attn: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Clinton Jones
General Counsel
Attn: Comments/ RIN 2590-AB38
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Re: Proposed Rule: Financial Data Transparency Act Joint Data Standards
OCC Docket ID OCC-2024-0012
FRB Docket No. R-1837; RIN 7100-AG-79
FDIC RIN 3064-AF96
NCUA RIN 3133-AF57
FHFA RIN 2590-AB38
CFTC RIN number 3038-AF43
SEC File No. S7-2024-05
CFPB Docket No. CFPB-2024-0034

Dear Agencies,

LSEG welcomes the opportunity to submit comments to the nine federal financial regulators (the Agencies) to implement the first phase of the Financial Data Transparency Act (FDTA), which establishes joint data standards for collections of information reported to the Agencies under Section 124 of the Financial Stability Act of 2010, which has been added pursuant to Section 5811 of the Financial Data Transparency Act of 2022 (FDTA).

LSEG is a leading global provider of financial markets data and infrastructure, serving clients in over 170 countries. LSEG's products and services play a vital role in the world's financial system, driving performance and enabling the sustainable growth and stability of those who use our services. LSEG Data & Analytics, including our reference data and pricing services business, are underpinned by the breadth and depth of our data, ranging from cross-asset market data to regulatory and reference data, as well as our data management technologies.

As a global financial data provider, LSEG recognises the importance of improving market transparency, interoperability, and data consistency alongside supporting regulatory efforts to streamline financial data standards. However, we do not agree with the FDTA's recommendation to use the Financial Instrument Global Identifier (FIGI) as the exclusive identifier for instrument reporting. In this comment we outline the complexities that are associated with symbology, highlight the lack of a clear and comprehensive cost-benefit analysis in the proposal and advocate for a more inclusive, consultative process that considers industry needs, existing standards and downstream impacts.

1. Complexity of Symbology

The financial markets are complex ecosystems whereby multiple symbologies coexist, each serving varying needs and use cases along a spectrum. Instrument identifiers such as CUSIP, ISIN, SEDOL, RIC, and FIGI each have roles with relevance to various user bases.[1]

Each identifier supports various use cases for market participants, infrastructures, and jurisdictions, making the exclusive adoption of FIGI without clear rationale as to what identifiers the market is currently using potentially highly disruptive without any proven incremental benefits. The amount of data that financial services firms are engaging with in their financial instrument processes – including trading, analytics, compliance, risk management, clearing, settlement and more – is growing exponentially. Firms need to be able to keep track of the various elements of a transaction across the trade life cycle and meet a range of compliance obligations.

[1] Committee on Uniform Securities Identification Procedures (CUSIP) numbers identify many US and Canadian securities and are generally required when a company is conducting an initial public offering or is seeking to be listed on a US exchange. The International Securities Identification Number (ISIN) is assigned to uniquely identify instruments, based on ISO 6166, and assists in distinguishing between securities for clearing and/or settlement purposes. The Stock Exchange Daily Official List (SEDOL) is an identification code issued at the country level for most asset classes, including equities, fixed income, funds, exchange traded products, indexes, structured products, warrants, certificates, exchange traded derivatives and digital assets in all jurisdictions and exchanges across the globe. The Refinitiv Identification Code (RIC) is a market-level identifier for instruments and pricing sources.

At LSEG we are pleased to support several identifiers in this space, understanding the demands of our customers and complexity in their needs. There is a need for a common language and connective tissue to streamline data processing. Given our awareness of the multiple systems that accept/store financial identification information, it is our view that the proposal's designation of the FIGI as the exclusive common financial identifier at this time ignores the highly disruptive impact such a designation would have on the connectivity and stability of the financial markets.

2. Lack of Comprehensive Cost-Benefit Analysis

The FDTA's recommendation to adopt FIGI exclusively does not include a comprehensive cost-benefit analysis. Implementing a single identifier across the industry without considering the operational and technical challenges creates unnecessary costs and risks, including:

- **Migration cost**: Mandating a transition to FIGI would require substantial investment in technology updates and internal system changes for market participants.

- **Operational Disruption**: The global financial ecosystem relies on interconnected infrastructure and diverse stakeholders. Any disruption to existing systems, particularly without clear operational guidelines, could have unintended consequences on market transparency and data integrity.

- **Data Quality and integrity**: Forcing the use of an exclusive identifier for the purpose of identifying financial instruments for government agency reporting under the US Financial Data Transparency Act (FDTA) raises concerns about the integrity of historical data. Mapping to FIGI requires careful consideration given the varying levels of granularity the FIGI is allocated.

There needs to be further analysis into the downstream cost implications that will affect all institutions or banks that need to carry a new identifier. An open identifier such as FIGI still carries costs associated with implementation. Some data elements such as issuer name, currency, maturity date, coupon rate, etc. are not available without subscribing to the vendor's data.

3. The Case for Alternate Identifiers: Lessons from UPI (ISO 4914):

The implementation of the Unique Product Identifier (UPI) (ISO 4914) [2] provides valuable lessons for considering the complexity of symbology in financial markets. This example highlights the importance of accommodating industry feedback and offering alternatives to ensure minimal disruption.

- **Industry Feedback:** Participants were given ample opportunity to provide feedback, ensuring the implementation of the UPI system would be practical and reflective of real-world operational constraints.

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[2] UPI - Registration (anna-dsb. "UPI stands for 'Unique Product Identifier' and is designed to facilitate effective aggregation of over-the-counter (OTC) derivatives transaction reports on a global basis.
In the first instance, the role of the UPI is to uniquely identify the product involved in an OTC derivatives transaction that an authority requires, or may require in the future, to be reported to a Trade Repository (TR). The UPI will work in conjunction with Unique Transaction Identifiers (UTIs) and Critical Data Elements (CDE) which are also expected to be reportable to global regulatory authorities."

When the UPI (ISO 4914) was launched, this followed several years in which the International Organization of Securities Commissions (IOSCO) and Committee on Payments and Market Infrastructures (CPMI) gathered extensive industry feedback.[3]

- **Accommodations for Alternatives**: The UPI allows for alternative underlier asset IDs, recognising the need for flexibility. To allocate a UPI, an underlier ID is required to be input, but consultation with authorities and the industry paved the way for an Alternate Underlier ID to be used in the standard. ISIN is recommended as the primary identifier for underlier instruments enabling firms to utilise existing workflows and processes to obtain a UPI for integration into their reporting frameworks. In addition, and further to extensive feedback, the use of alternate IDs along with mapping was offered for CUSIP/CINS, SEDOL and FIGI.

This inclusive market approach reduced unnecessary disruption whilst promoting standardisation.

Conclusion

In summary, LSEG strongly believes that the proposal to mandate the exclusive use of FIGI in the FDTA is premature and lacks sufficient justification in terms of cost-benefit analysis. Symbology is complex, especially when observing this from an instrument standpoint, therefore any changes must consider the wider downstream impacts and carefully deliberate the impact before implementation.

The proposed rule does not consider other standards that are already used in the regulatory reporting space, nor does it consider the downstream cost implications that will affect all institutions or banks that need to carry a new identifier.

We hope to further engage with the Agencies to improve market transparency, interoperability, and data consistency. We would be pleased to provide any further information or respond to any questions that the Agencies or staff may have.

Sincerely,

Natalee M. Binkholder
Head of Government Relations and Regulatory Strategy, Americas
London Stock Exchange Group (LSEG)

[3] Harmonisation of the Unique Product Identifier - Technical Guidance (leiroc.org) "This work included extensive internal discussions among authorities that are members of the CPMI (Committee on Payments and Market Infrastructures) and IOSCO (International Organization of Securities Commissions), multiple discussions between these authorities and the industry and workshops in which industry experts shared their views. In addition, the CPMI and IOSCO also published two consultative reports on the UPI in December 2015 and August 2016 and solicited written responses from the interested parties to detailed questions on the topic of UPI. Technical Guidance was a result of these careful deliberations"