

Leveraging the Unique Transaction Identifier



International Financial
Standards Conference
November 2024

Confidentiality: **Restricted**

Leveraging the Unique Transaction Identifier

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1. Why?
2. How?
3. What?
4. Next Steps

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Delivering enduring
operational
excellence, security
and resilience at
scale



Uplifting the
end-customer
experience



Four priorities will
drive our activities
over the next three
years

Strengthening
collaboration to
advance an inclusive
global ecosystem



Innovating and
enabling a new era
of interoperability



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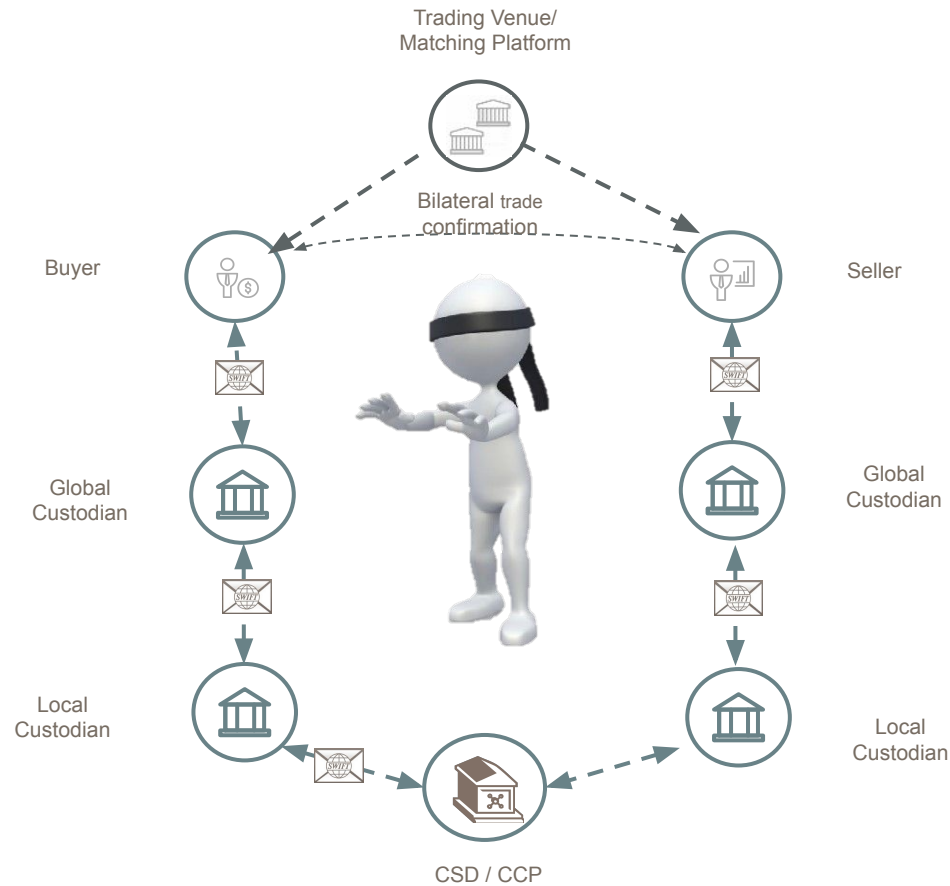
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1. **Why?**
2. **How?**
3. **What?**

4. **Next Steps**

Current State of Securities Settlement: Inefficient and Time Consuming

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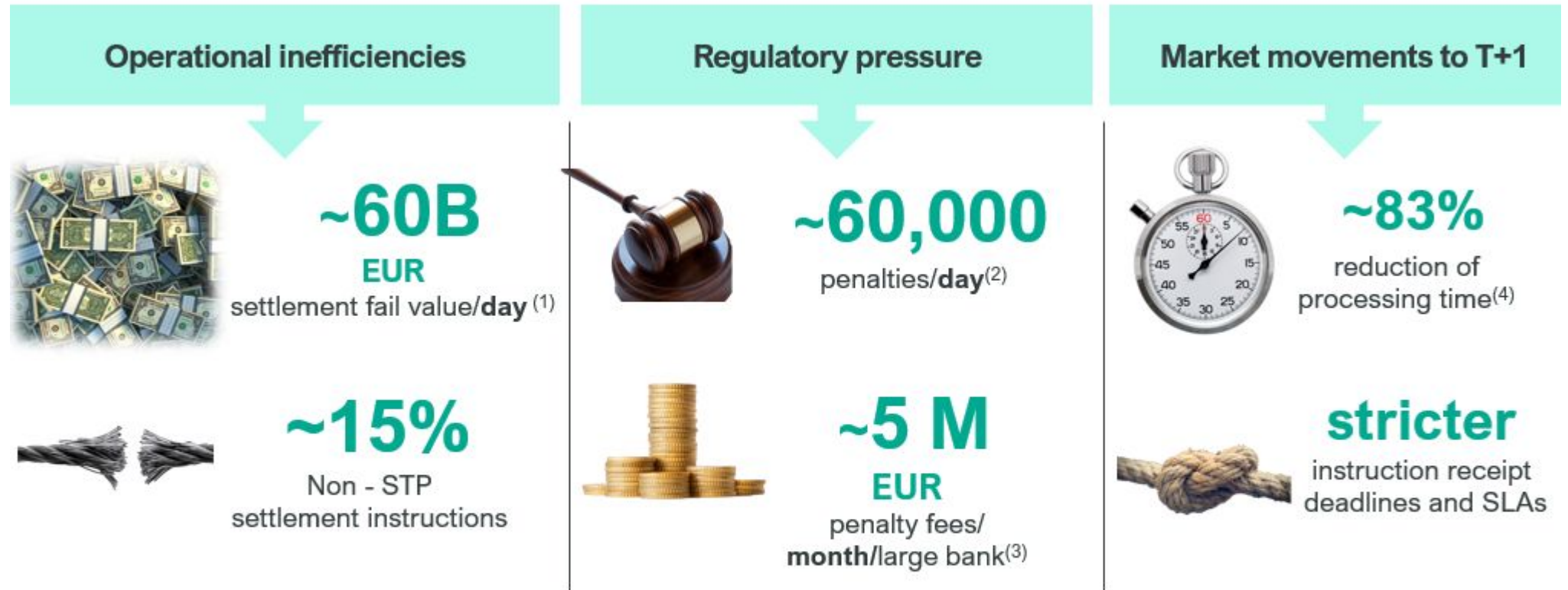


Challenges

- Low transparency on the status of transactions results high cancelations or settlement fails
- Resolving settlement inefficiencies are time-consuming, often requires manual interventions (emails, phone calls) or reconciliations across multiple platforms / reports
- Cross-border trades are especially under pressure with global markets moving to T+1, where settlement duration is compressed by half.

The impact

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Sources:

(1) TARGET2-Securities Annual Report 2021 & Bank of England (CREST)- Average daily RTGS settlement values and volumes; (2) Settlement efficiency and market volatility report (Euroclear – Nov. 2022); (3) Paytech Magazine (Dec. 2022); (4) AFME article (Sept. 2022)

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The Unique Transaction Identifier (UTI)

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Unique

52 characters, with first 20 to be the LEI of the generating body (FI/ platform/ service provider).



Standard

Standardised and structured ISO-registered format (ISO 23897:2020).



Trusted

Already used today for reporting of financial transactions to any authority in any jurisdiction.



Persistent

Can be carried as a reference across disparate systems and processes.



Unambiguous

Can be referenced unambiguously by all parties involved or interested in that transaction.



Applied to a securities post trade settlement workflow, a UTI identifies a securities transaction obligation:

- Between a buyer and seller
- For an agreed instrument and quantities
- Allocated to settlement accounts and parties

Industry standards and best practice on UTI generation and communication :

- [IOSCO](#)
- [ESMA](#)

Applying existing UTI market principles to post-trade securities settlement

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UTI generation and communication should occur at the earliest possible point in the flow

Only one UTI is generated for a given transaction

Cover the majority (&) may not cover all possible cases

Not to have different approaches between asset classes

Centrally Cleared - Is a CCP a counterparty to the transaction?

Counterparty Agreement

Do the counterparties have an agreement governing which entity should be responsible for generating a UTI?

First Touch

Follow “first touch” concept i.e. **assign UTI generation to the first entity in transaction life cycle** that could reasonably be in a position to do so, where feasible

Electronically Confirmed

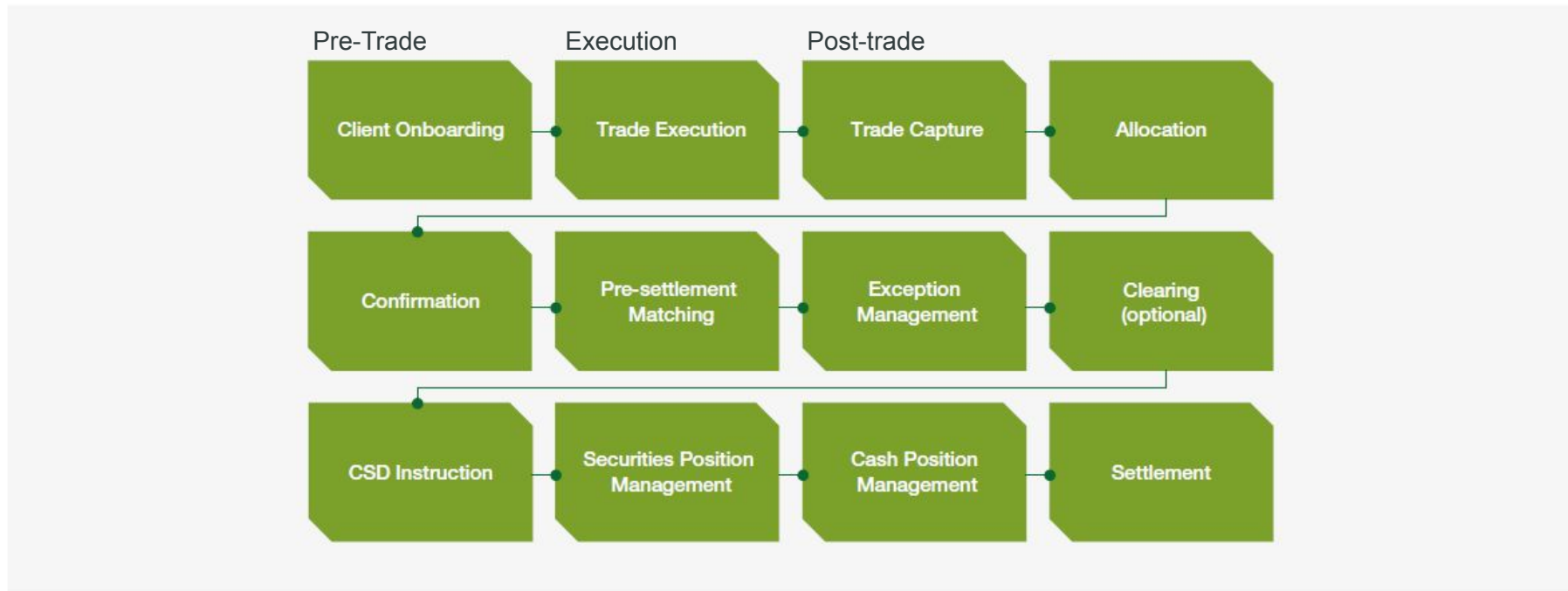
Is the transaction electronically confirmed and is the platform willing and able to generate a UTI

Trade Lifecycle View

Association for Financial Markets in Europe (AFME)

Annex 1 – Trade Lifecycle View

Figure 15: Illustration of securities trade lifecycle process



Allocation - Typically, a single block transaction may be split across several different accounts. Allocation refers to the process by which the asset manager or investor informs their counterparty of the details of the split.

Securities Settlement Lifecycle: First Actors

Instructing Party vs Executing Broker

Buyside vs Sellside

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Guideline 3: An investment firm should contractually agree with its professional client on the communication procedures and messaging protocols to be used between them to implement the measures aiming at limiting settlement fails described in Article 6(2) of Regulation (EU) No 909/2014, which measures could be illustrated as follows:



17. The investment firm and its professional client may arrange for the prompt communication of this information in various ways:

- a. Sending of both a written confirmation and a written allocation
- b. No sending of a written confirmation
- c. No sending of written confirmation nor written allocation

UTI flow through the settlement lifecycle for securities trades

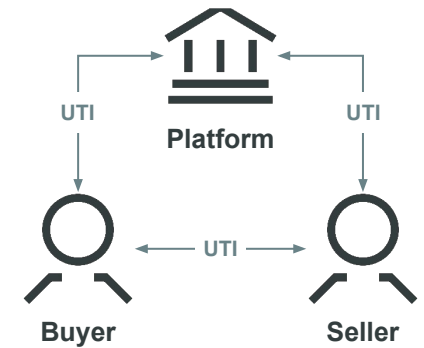
Generation, exchange and communication

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Generation and exchange

Between **buyers** and **sellers** occurs as part of post-trade allocation / confirmation process via:




- Central generation by trade venues / matching platforms
- Bi-lateral generation by instructing / executing party or their service providers



UTI generation and exchange for Institutional Flow

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UTI exchange via allocation

	Via a UTI-ready central platform 	Via a non UTI-ready central platform 	Bilaterally 
The UTI generator & communicator is...	<ul style="list-style-type: none"> The central platform* 	<ul style="list-style-type: none"> The instructing party or their service provider 	<ul style="list-style-type: none"> The instructing party or the service provider

Supported allocation messages

Format	Message Name	Field Name	Link
FIX	[AllocationInstruction]	Tag1903	more info
SWIFT	MT 514	Field 20a (Option U)	more info
XML (CTM)	Trade Detail	<AllocationUTI>	more info



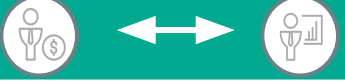
Additional scenarios (*):

- Instructing parties (or their service providers) may opt to generate UTI values for **all** their trades, in which case they can use the central platforms to communicate the UTI to the executing party.
- If a central platform/venue is not supporting the UTI format, but does generate a shared common reference, then the instructing **and** executing party can derive a UTI equivalent from the platforms reference.



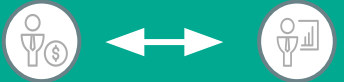
UTI generation and communication guidelines: Summary

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In case of a trade with allocation:

	Via a UTI-ready central platform 	Via a non UTI-ready post-trade platform 	Bilaterally 
The UTI generator & communicator is...	<ul style="list-style-type: none"> The central platform* 	<ul style="list-style-type: none"> The instructing party or their service provider 	<ul style="list-style-type: none"> The instructing party or the service provider

In case of a trade without an allocation exchange:

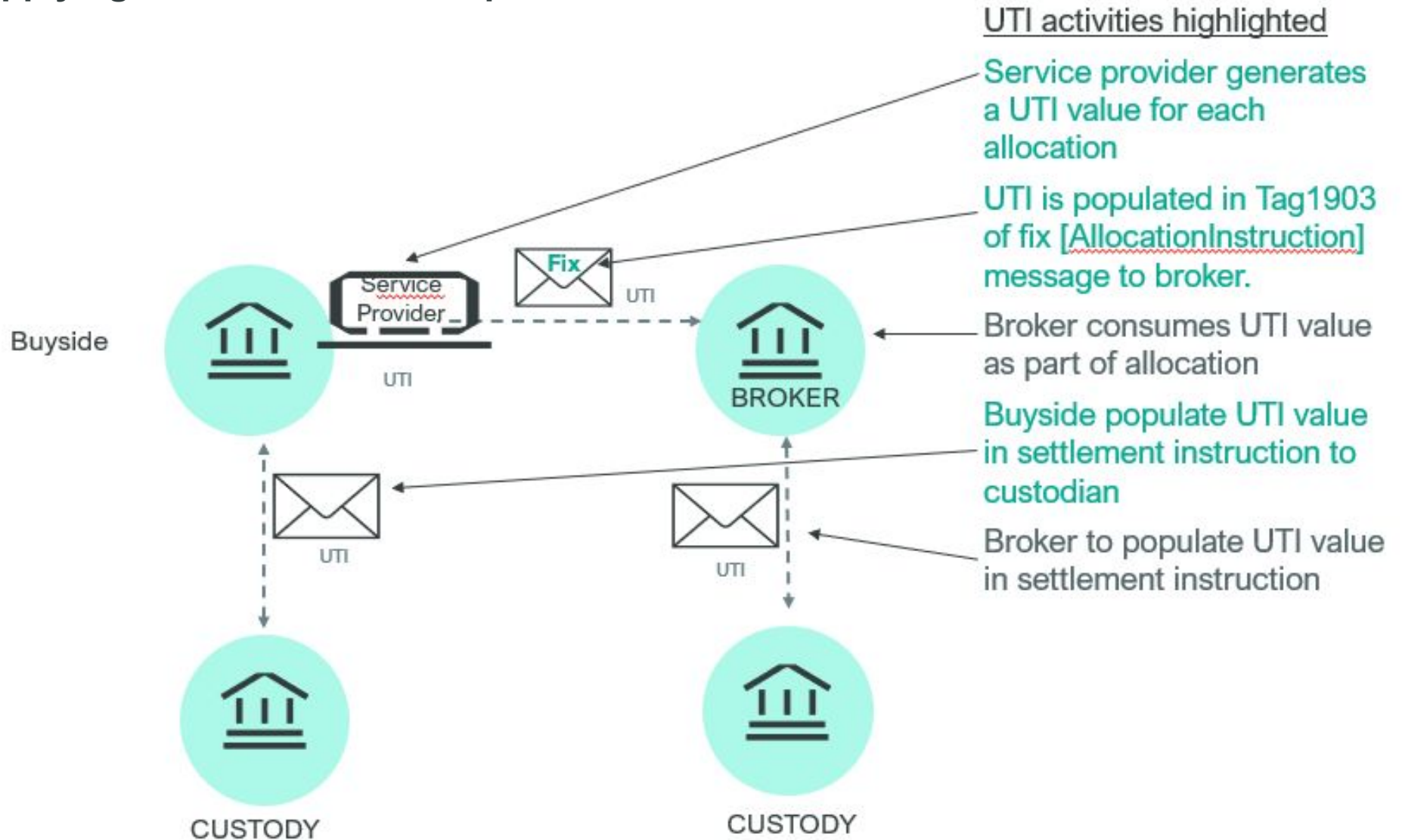
	Via a UTI-ready venue 	Via a non UTI-ready venue 	Bilaterally 
The UTI generator & communicator is...	<ul style="list-style-type: none"> The venue 	<ul style="list-style-type: none"> The executing party or their service provider 	<ul style="list-style-type: none"> The executing party or their service provider

Additional scenarios (*):

- Instructing parties (or their service providers) may opt to generate UTI values for **all** their trades, in which case they can use the central platforms to communicate the UTI to the executing party.
- If a central platform/venue is not supporting the UTI format, but does generate a shared common reference, then the instructing **and** executing party can derive a UTI equivalent from the platforms reference.

Applying UTI to fix allocation process

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UTI - in CTM example

Allocation UTI Generation:

DTCC LEI + IM CTMDetailID + EB CTMDetailID

Example:

549300TXA3WBLB9JHZ8814939556931493955510

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Trade Side Details									
Both Sides My Side Counterparty									
Master Ref	CTM Trade...	Block UTI	Match Agrd	Block Status	Exec Broker	TLPSET	Complete	Asset Clas	
IM20211125....	1527483255	549300TXA3WBLB9JHZ8815274832551527483261	NMAG	MACH	ITP LLC - CT...		INCP	E	
EB20211125...	1527483261	549300TXA3WBLB9JHZ8815274832551527483261	NMAG	MACH	ITP LLC - CT...	DTCYUS33	INCP	E	
Client Alloc Ref	Allocation UTI	Alloc Status	Qty Alloc	Acct ID ▲ 1	Trd Amt	Co			
001	549300TXA3WBLB9JHZ8815274832661527483264	MACH	50.0	0108	500.00				
001	549300TXA3WBLB9JHZ8815274832661527483264	MACH	50.0	0108	500.00				

```
<TradeDetailReferences>
  <ClientAllocationReference>002</ClientAllocationReference>
  <CTMTradeDetailID>1513469880</CTMTradeDetailID>
  <AllocationUTI>549300TXA3WBLB9JHZ8815134698731513469880</AllocationUTI>
</TradeDetailReferences>
```


UTI flow through the settlement lifecycle for securities trades

Communication between account owners and account servicers

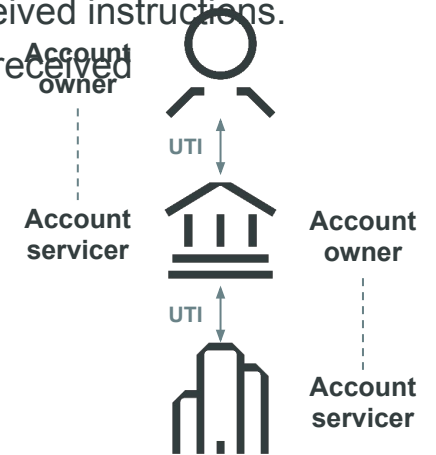
Users acting as account owners sending instruction messages to their account servicers:

- **Populate a UTI:** include UTI value which has been received from the trade allocation/confirmation process.
- **Maintain a UTI:** include the same UTI value for version changes (cancel or rebook) and applicable life cycle events.
- **Persist the UTI:** include the same UTI value when instructing onward delivery or receipt for received instructions.

Users acting as account servicers receiving instruction messages from their account owners and sending status and confirmation messages to their account owners

- **Consume the UTI:** process the UTI value from account owners instructions
- **Echo the UTI:** include the same UTI value on status updates and confirmations sent for received instructions.
- **Persist the UTI:** include the same UTI value when instructing onward delivery or receipt for received instructions.

<h3>Communication</h3>	<p>Between account owners and account servicers</p> <ul style="list-style-type: none"> • Persist UTI from received instructions / confirmation process down settlement chain • Echo UTI on settlement 'status and confirmation' response messages to account owners
------------------------	---



Leveraging a common trade reference

The unique transaction identifier or UTI

UTI: Unique Transaction Identifier



ISO: Unique number/reference of a financial transaction to be allocated as agreed among the parties and/or within the initiative or regulatory system under which it is formed

:16R:GENL	Example
:20C::SEME//MESSAGEREFERENCE	
:23G:NEWM	
:16R:LINK	
:20C::TRRF//1256356365	
:16S:LINK	
:16R:LINK	
:20U::TRRF//1256356365ABCDEFEJKEJEKJEKJEKJEKJEKJEK	
:16S:LINK	
:16S:GENL	



Where to find an UTI in the MT54X?

541 Receive Against Payment (SR2021)			
General Information (A)	GENL	M	N
:16R: Start of Block	GENL	M	N
> :20C: Reference	:41c//16x	M	N
> :23G: Function of the Message	41c//41c	M	N
> :98a: Date/Time		O	N
> :99B: Number Count		O	R
Linkages (A1)	LINK	O	R
:16R: Start of Block	LINK	M	N
> :22F: Indicator	:41c//8c//41c	O	N
> :13a: Number Identification		O	N
> :20a: Reference		M	N
> :36B: Quantity of Financial Instrument		O	N
:16S: End of Block	LINK	M	N
:16S: End of Block	GENL	M	N



Deal [TRRF] 1 Or N			
> :20C:	:41c//16x		
> :20U:	:41c//52x		
Qualifier	41c	M	N
UTI Reference	52x	M	N

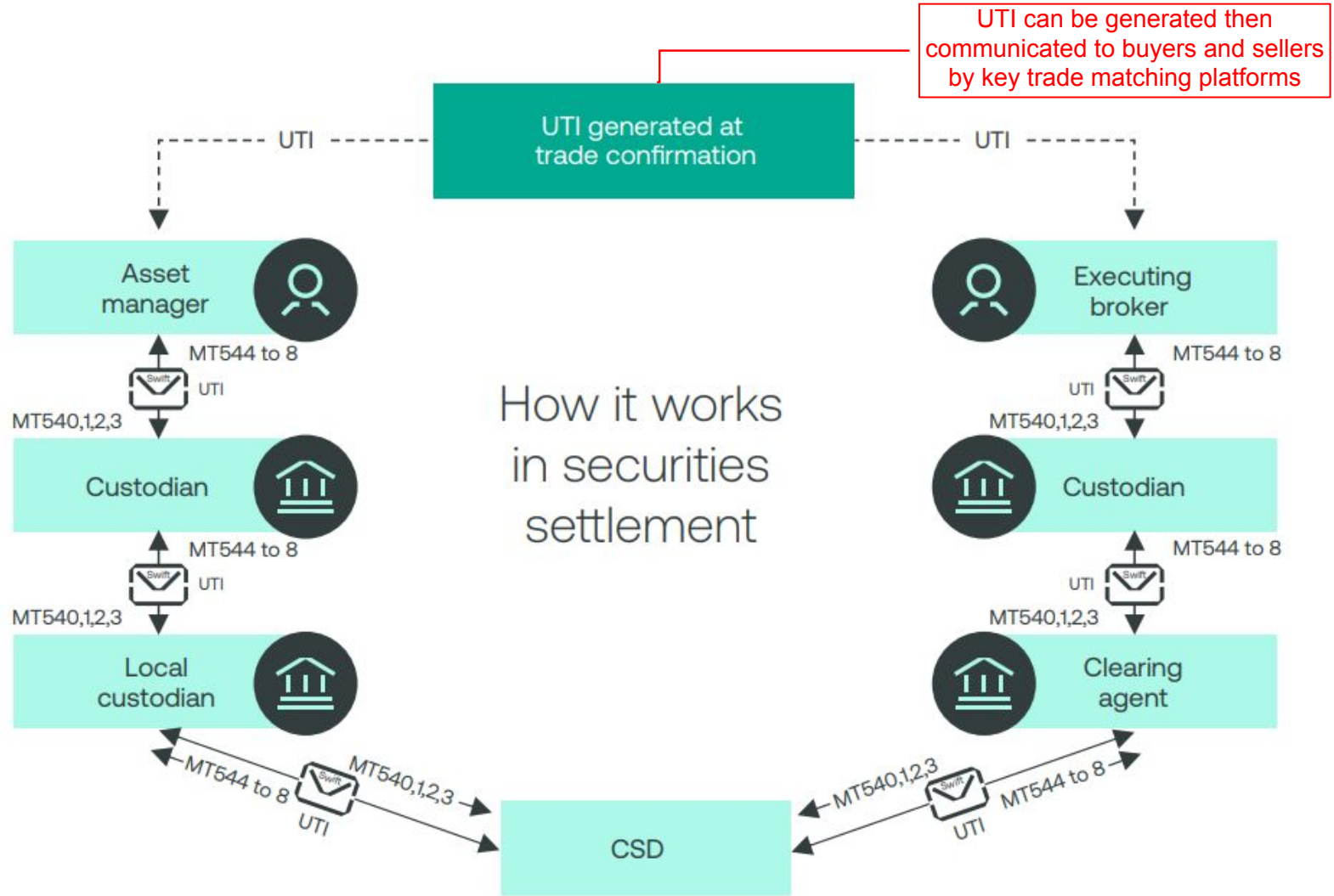
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How the UTI Improves Securities Settlement

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Better interoperability between systems and counterparties

Provides the mechanism to improve linkage between internal applications and workflow processes

Enables connectivity with external parties for machine to machine, user to user, and machine/user exchanges

Improves STP and overall settlement efficiency

Direct and near-term efficiencies for settlement operations, by improving detection of issues, determination, and resolution

Better metrics and root cause analysis internally and across counterparties to support permanent process improvements

Consensus between parties

Enables parties on both sides to know if something is pending or being done on the other side.

Better decision making on whether an action is required and next steps to ensure settlement

Gives a mutual historical view on transactions for all settlement parties

Allows each individual firm to enhance their own processes directly, and for their customers

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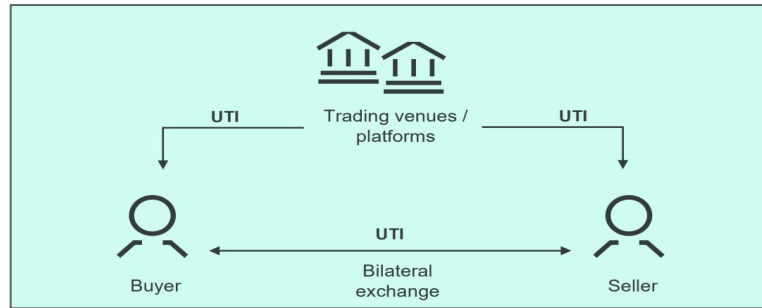
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UTI Generators & Enablers: Securities platforms and vendors

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OTC Trade – Institutional client flows



UTI Generators

Platforms

- DTCC CTM (Equities & Fixed Income)
- Tradeweb (Fixed Income)

Bilateral Exchange

- FIX allocation



20+

Major vendors with UTI generation and enabling capabilities have been engaged

7+

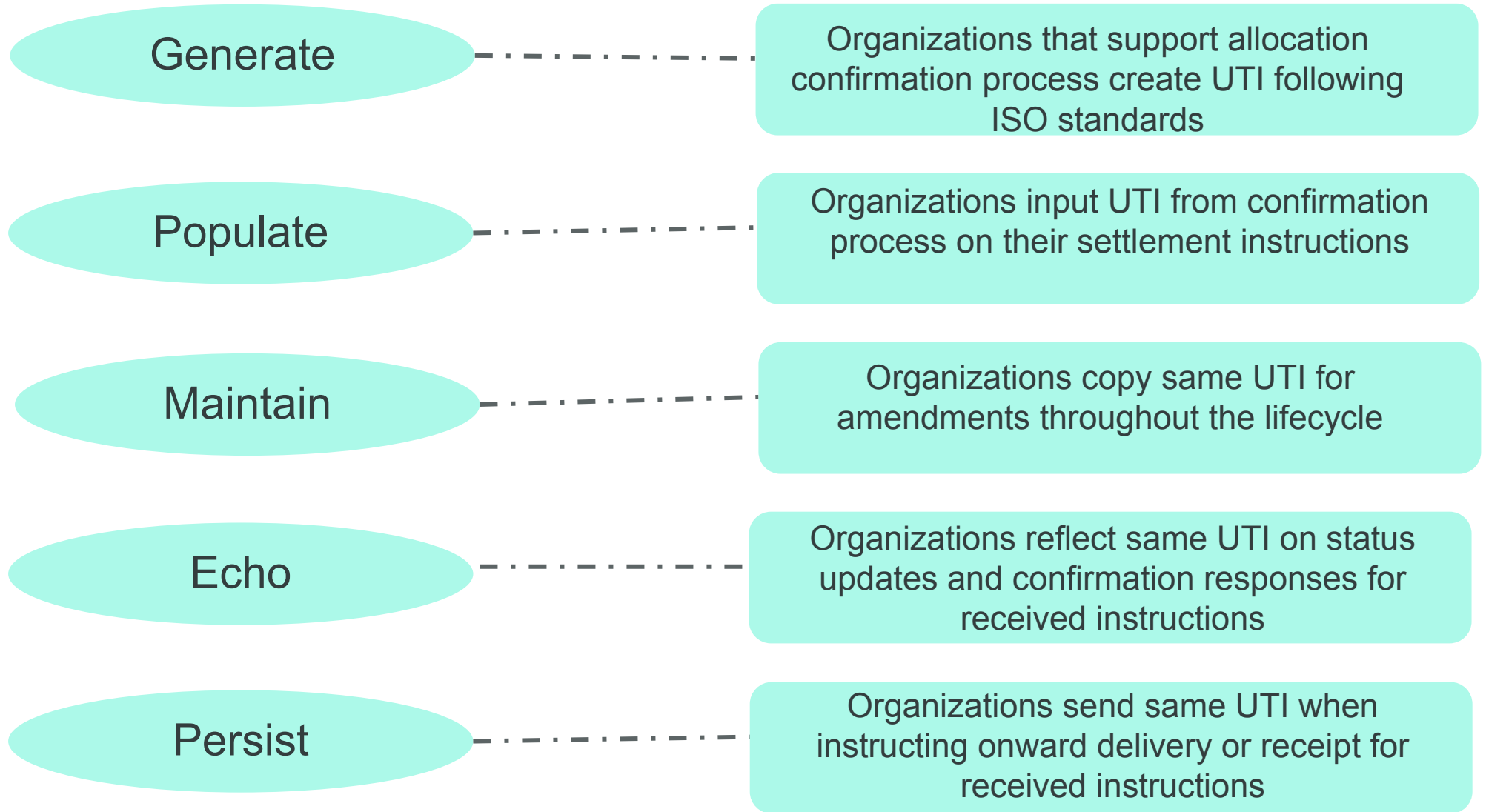
Major vendors are ready or getting ready for the UTI.



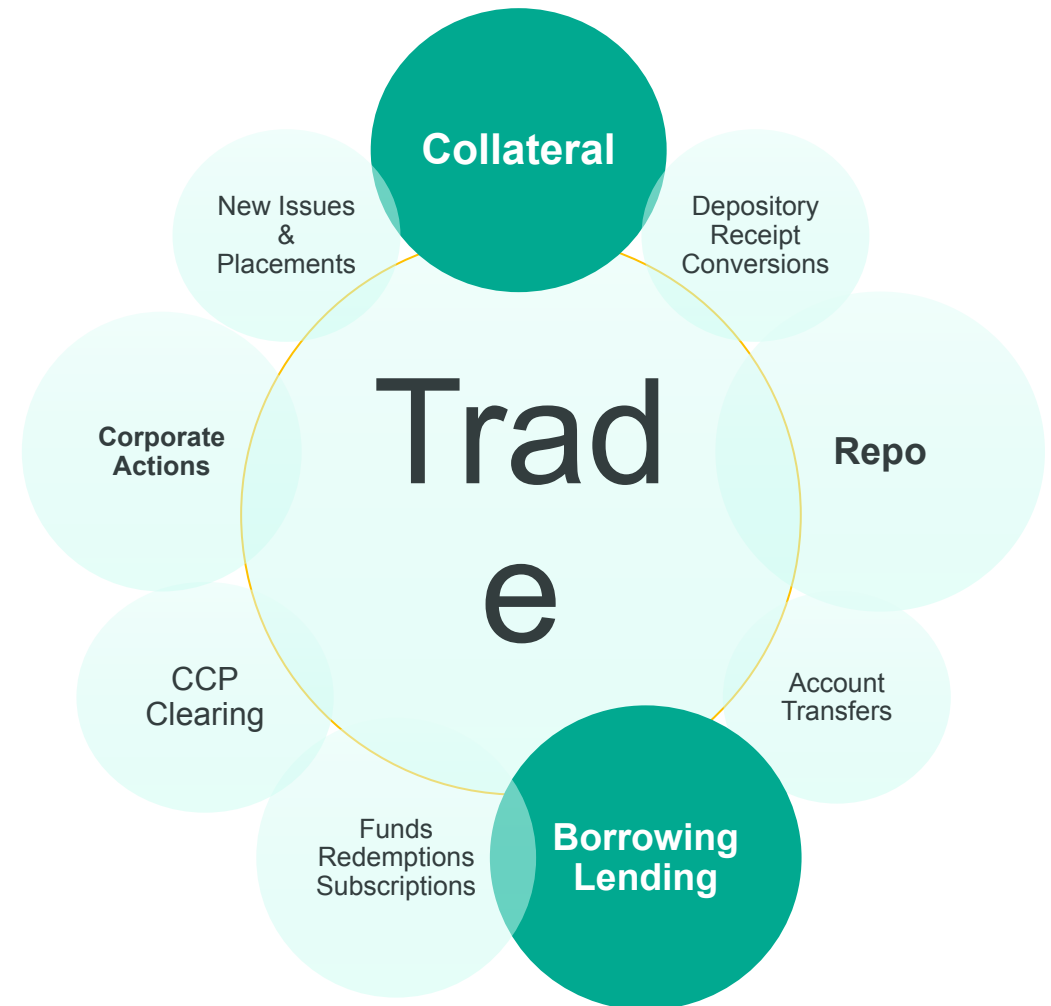
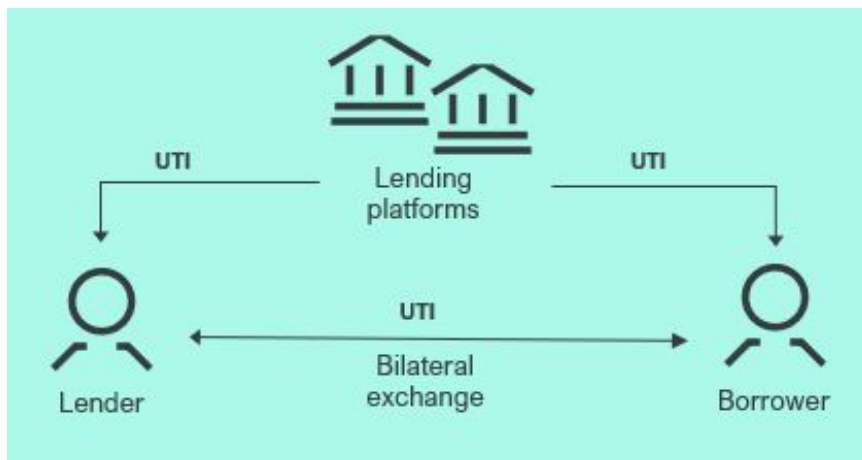
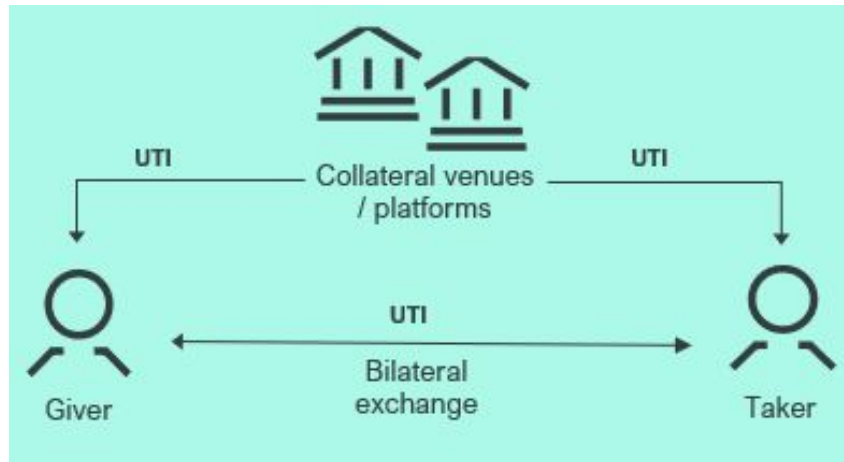
S&P Global
Market Intelligence



UTI behaviours through the securities settlement lifecycle



Other securities settlement workflows Collateral & Stock Borrow Loan



Thank You

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