
OFR FACT SHEET

# OFR'S FINANCIAL INSTRUMENT REFERENCE DATABASE

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## WHAT IS A FINANCIAL INSTRUMENT?

A financial instrument is a financial contract in which the terms and conditions are publicly available, and the roles of one or more of the counterparties are assignable without the consent of any of the other counterparties, such as common stock of a publicly traded company, government bonds, or exchange traded futures and options contracts. For example, when a stock is sold, the terms and conditions agreed upon by the buyer and the seller are documented in a contract. There are many types of financial instruments, such as contracts that govern the sale of a future, equity, debt, option, and warrant.

## WHAT IS FINANCIAL INSTRUMENT REFERENCE DATA?

Financial instrument reference data describes the terms and conditions of these contracts. For example, if a buyer indicates an interest in U.S. Treasury bonds issued with a maturity of 10 years and a specific interest rate, the *issuer*, *maturity*, and *interest rate* are all examples of financial instrument reference data. Other examples of reference data are dividend rates and ticker symbols.

## ARE THERE STANDARD DEFINITIONS FOR ALL FINANCIAL INSTRUMENT REFERENCE DATA?

No. Some financial instrument reference data are not complex and not controversial. For example, a stock is widely understood to represent an ownership stake in a company. Contracts governing the issuance of a stock often have standard terms, definitions, and formats.

Newer, innovative financial instruments and specialized over-the-counter instruments, however, such as credit default swaps, don't always have standard terms. This has prompted the development of proprietary or firm-specific data descriptions. These descriptions are temporary and often differing responses to the lack of robust standards in these emerging areas.

## WHAT ARE THE RISKS TO FINANCIAL STABILITY FROM DIFFERING FINANCIAL INSTRUMENT REFERENCE DATA?

Challenges can arise when market participants and regulators do not agree on the terms, definitions, and formats of a financial instrument. Companies may not be able to evaluate their exposures to risks because they are not able to determine the characteristics of the financial instruments they own. This difference also prevents interoperability—the ability to exchange and use reference data among financial firms and their service providers.

## WHAT IS THE OFR'S FINANCIAL INSTRUMENT REFERENCE DATABASE (FIRD)?

The purpose of the FIRD is to identify the standardized reference data that already exists, and flag, and ultimately iron out, inconsistencies among the others. The current version of the FIRD shows how three data standards–ISO 20022, ACTUS, and FIX—define five commonly used asset classes: equities, debt, options, warrants, and futures.

The foundational version of the FIRD, launched in in December 2020, included the ISO 20022 definition of these five instruments as well as the ISO 20022 definitions of the terms and conditions of their contracts. ACTUS and FIX reference data for the same five financial instruments were added in October 2021 and November 2022, respectively. Allowing users to compare definitions from different industry standards helps identify inconsistencies.

## DOES THE OFR PLAN TO EXPAND THE FIRD?

Yes, the OFR is working with the X.9 Financial Industry Forum to collect comments on the definitions available in the FIRD. Other sources of standard definitions may be added as they are identified. The OFR may also expand the FIRD to additional asset classes.