DSB | Derivatives Service Bureau

NOTIFICATION: IR Term of Contract (RTS-23.Field 41) + Additional Rates Derivatives Enhancements UAT & PROD.

Audience: All DSB Users

SUMMARY

The DSB will introduce three key enhancements to OTC Rates derivatives and Rates related Cross-Asset (Other) product templates on 7th July 2019 in UAT and on 22nd September 2019 for Production.

1. Support for revisions to the determination and reporting of RTS.23-Field 41 (IR Term of Contract)

2. New enumerated values:

   a. "UK Base Rate" to be made available

   b. €STR and related reference rates (if the name of the reference rate is available in time to facilitate industry testing)

3. The Inflation_Basis template will support "Delivery Type" and "Price Multiplier" as optional user input values

DETAILS

1. **Revisions to the determination and Reporting of the Term of Contract (RTS-23.Field 41)**

   The release supports ESMA's updated Q&A (Sep 2018) providing clarifications about the relationship between the interest rate term of the interest rate swap contract (tenor) field 41, the effective date and the ISIN.

   Users will be able to:

   i. Identify what is to be treated as a standard tenor for reference data reporting purposes by accessing the DSB's Best Practice document (Approved by the DSB Product Committee (PC)) — available here

   ii. Use updated templates containing an integrated tenor calculator to submit either a standard tenor in accordance with the best practice information above or submit an effective date in all other scenarios. — This corresponds with the ESMA requirement that "if the contract duration fits a standard term, the standard term should be populated in field 41". (Approved by the DSB PC and the DSB Technology Advisory Committee (TAC))

   iii. Access an open source tenor calculator (Approved by the TAC) to facilitate user testing and integration — link to be provided.

   Changes to current product templates:

   The IR Term of Contract (RTS-23.Field 41), will be added to Rates and Rates-related Cross Asset product templates (see the specific list of instruments below). This note sets out the intended solution, the post implementation user experience and implementation timelines.

   2 user input attributes introduced:

   - Attribute 1 - Term of Contract Value: Max 3-digit integer (i.e. =<999)

   - Attribute 2 - Term of Contract Unit: {DAYS, WEEK, MNTH, YEAR}

   - For all Rates product templates with a non-financial underlying instrument i.e. FRA_Other, Swaption, Debt Option are out of scope

   - For all Cross-Asset product templates when a Rates component is included

Integrated Tenor Calculator

Consistency of values for broken-dated instruments will be facilitated by the integration of a Tenor Calculator that will provide input values for the above attributes in-line with the method defined by ESMA in its Q&A document.

The Tenor Calculator will be called when the user supplies an Effective Date rather a standard Term of Contract Value / Unit.

Open Source Tenor Calculator

The DSB will provide an open source version of the tenor calculator to facilitate industry's testing and integration processes. The DSB Tenor Calculator will be made available on the DSB's GitHub page. Technical details will be made available in due course.

Post Implementation User Experience

A. Retrieve or Create ISIN Record

- Uses attributes to retrieve ISIN if existing or creates if required

- Mandatory to use the revised template when making the API request (i.e. with field 41 values) - all returned records will use the updated product template (i.e. version 2)

- Per the ESMA Q&A, new ISINs without field 41 as an input value should no longer be created

- Issuance of new ISINs is only expected for the new instruments that must be reported to FIRDS for the first time on implementation date and going forward

B. Retrieve ISIN Record by ISIN

- Does not search by attributes so will support ISIN retrieval for both pre-Field41 and post-Field 41 template versions

- The returned records could use either one of the two template versions (versions 1 & 2)

C. Search for ISIN Record

- Possible to search for ISIN records with or without Field 41 in the criteria

- The returned records could use either one of the two template versions (versions 1 & 2)

- The DSB will also facilitate searching without field 41 values (i.e. allow searching for version 1 OTC ISIN records)

- DSB GUI Users will continue to be able to search using either template version

D. End of Day Files

- The DSB will continue to publish files, with data published after the implementation date to be based on the "revised" templates (version 2)

2. Introduction of new reference rates

A. Addition of "UK Base Rate"

"UK Base Rate" will be added to the list of available reference rates for OTC Rates and Cross-Asset ("Other") instruments that include a IR Reference Rate as an underlying.

This change will reflect the addition of the value to the standard list of FpML Reference Rates

B. New European Risk-Free Rate: €STR and related rates

The DSB is aware that the ECB will commence publication of the new €STR benchmark rate from 2nd October 2019 and that this rate (along with any associated rates) will need to be added to the relevant product templates.

The DSB is working with industry participants at the PC to determine when the naming convention will be finalised and with both the PC and the TAC to confirm implementation timing. An update will be provided to DSB users as these become available.

As a reminder, Reference Rates included in the DSB templates are based on the FpML schema and so co-ordination is required to understand the expected schedule for the addition of €STR and associated rates in FpML. Once this schedule is understood it will be possible to determine timetable for the release of the new rates in the DSB product templates.

3. **Introduction of new reference rates**

In order to bring the Rates.Swap.Inflation_Basis template into line with the standard approach a change will be introduced to amend these attributes to be defined as optional (with defaults).

The DSB' standard approach to the definition of the following attributes is to define them as optional values (with defaults) on all input templates:

- Delivery Type
- Price Multiplier

Implementation Timelines:

Milestone	Date	Notes
Provisional Documentation available	17th June 2019	JSON Templates: link to be provided Product Documents: link to be provided
Final Documentation available	24th June 2019	JSON Templates: link to be provided Product Documents: link to be provided
UAT environment	7th July 2019	Start of UAT phase
Production environment	22nd September 2019	Production Release

Action Required:

- DSB users seeking to implement associated changes are requested to upgrade to the new templates and conduct sufficient testing to satisfy the implementation of the revised DSB templates – including testing and consumption of the end of day snapshot files
    - This requires impacted users' UAT environments to be able to accommodate the new DSB templates as early as possible during the test period.
    - This requires impacted users' Production environments to be able to accommodate the new DSB templates.
- DSB users (with the ability to create ISINs) are requested to assist with the regression testing of all live DSB templates they currently use and notify the DSB of any issues by cob Wed 18th July 2019 so that we can work to address these with you
- The DSB's UAT environment will be put into early weekend maintenance between 12:00 AM UTC Saturday 6th July 2019 and 12:00 PM UTC Sunday 7th July 2019 to allow for the implementation

List of impacted templates

Template Name (Record + Request)	Available in UAT on 7th July 2019	Available in PRODUCTION on 22nd Sept 2019
Rates.Forward.FRA_Index.InstRefDataReporting.V2.json	Y	Y
Rates.Option.CapFloor.InstRefDataReporting.V2.json	Y	Y
Rates.Option.Non_Standard.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Basis.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Basis_OIS.InstRefDataReporting.V2.json	Y	Y

Rates.Swap.Basis_OIS.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Cross_Currency_Basis.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Cross_Currency_Fixed_Fixed.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Cross_Currency_Fixed_Float.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Cross_Currency_Fixed_Float_NDS.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Cross_Currency_Inflation_Swap.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Cross_Currency_Zero_Coupon.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Fixed_Fixed.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Fixed_Float.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Fixed_Float_OIS.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Fixed_Float_Zero_Coupon.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Inflation_Basis.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Inflation_Basis_Zero_Coupon.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Inflation_Fixed_Float_YoY.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Inflation_Swap.InstRefDataReporting.V2.json	Y	Y
Rates.Swap.Non_Standard.InstRefDataReporting.V2.json	Y	Y
Request.Rates.Forward.FRA_Index.InstRefDataReporting.json	Y	Y
Request.Rates.Option.CapFloor.InstRefDataReporting.json	Y	Y
Request.Rates.Option.Non_Standard.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Basis.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Basis_OIS.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Basis.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Fixed_Fixed.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Fixed_Float.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Fixed_Float_NDS.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Inflation_Swap.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Zero_Coupon.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Fixed.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Float.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Float_OIS.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Float_Zero_Coupon.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Inflation_Basis.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Inflation_Basis_Zero_Coupon.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Inflation_Fixed_Float_YoY.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Inflation_Swap.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Non_Standard.InstRefDataReporting.json	Y	Y
Other.Option.Non_Standard.InstRefDataReporting.V1.json	Y	Y
Other.Other.Non_Standard.InstRefDataReporting.V1.json	Y	Y
Other.Swap.Non_Standard.InstRefDataReporting.V1.json	Y	Y
Request.Other.Option.Non_Standard.InstRefDataReporting.json	Y	Y
Request.Other.Other.Non_Standard.InstRefDataReporting.json	Y	Y
Request.Other.Swap.Non_Standard.InstRefDataReporting.json	Y	Y