

## 1.1 Appendix 3 - Second Consultation Questions for Industry

### Proposed Format for Industry Responses to the DSB Consultations:

1. Consultation responses should be completed using the form below and emailed to [industry\\_consultation@anna-dsb.com](mailto:industry_consultation@anna-dsb.com)
2. The option is provided for respondents to stipulate whether the response is to be treated as anonymous. Note that all responses are published on the DSB website and are not anonymized unless specific requests are made
3. Where applicable, responses should include specific and actionable alternative solution(s) that would be acceptable to the respondent to ensure that the DSB can work to reflect the best target solution sought by industry (within the governance framework of the utility)
4. As with prior consultations, each organization is permitted a single response
5. Responses should include details of the type of organization responding to the consultation and its current user category to enable the DSB to analyse client needs in more detail and include anonymized statistics as part of the final consultation report
6. Responses must be received by 5pm UTC on 27<sup>th</sup> July 2018
7. All consultation related queries should be directed to [industry\\_consultation@anna-dsb.com](mailto:industry_consultation@anna-dsb.com)

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<b>Company</b>	NEX SEF MTF	
<b>Company Type</b>	MTF	
<b>User Type</b>	Power User	
Select if response should be anonymous	<input type="checkbox"/>	
<p><b>Introductory Comments:</b></p> <p>Thank you for the opportunity to respond to this consultation, and the continued attempt to please all the different participants to the ISIN utility that you provide.</p> <p>Before responding to the questions below, as an MTF operator, under the current arrangements, we fall under the Power User categorisation. As such, we are required by regulations to produce ISINs for the benefit of all participants in our market. As a trading venue, these costs are borne by ourselves and not passed on to our members. At £125k per license, and in our case 2 Power User licenses, we bear a very significant percentage of the DSB fees. We do not require any of the additional functionality proposed in the consultation paper and therefore should not pay anything towards the £2.2m-2.8m uplift in annual fees proposed in the paper. The DSB must either refrain from adding the additional functionality or charge for these outside the cost recovery model.</p>		
<b>#</b>	<b>Question for Consultation</b>	<b>Participant's Response</b>

## Section 1: User Categorization and Fees

1	<p>What specific and objectively verifiable models (if any) are you able to propose that reasonably address the needs of multi-segment and/or multi-market trading venues, whilst not placing an adverse cost on new or smaller market participants (refer to 2.2.1 <b>Error! Reference source not found.</b>?)</p> <p>It is important to note that the proposed MIC level fee model is designed to set fees at a level that can be objectively validated against a publicly available dataset (FIRDS – which contains segment level MICs), whilst ensuring that new and/or smaller institutions are not required to fulfil the same fee requirements as trading venues who, because of regulatory requirements, must separate their business amongst numerous entities.</p> <p>The proposed model aims to ensure that a small credit institution or retail bank is not required to pay the same fees as a large derivatives market maker or similarly, that a small, single market trading venue is not required to pay the same fees as a multi-market trading venue. It is likely that a LEI level model (as proposed by some respondents) will place smaller users of the DSB at a significant cost disadvantage.</p>	<p>The MIC code should not be used under any circumstances. With ISDA and EVIA both also stating this in their previous response you have attestation from most of the derivatives market that this methodology is not representative of reality.</p> <p>If no other solution is found then the status quo is preferable.</p>
2	<p>What specific and objectively verifiable models (if any) are you able to propose that reasonably address the needs of complex, multi-faceted organizations) whilst ensuring that new and smaller market participants can continue to access the services they currently utilize without being economically disadvantaged at a higher price point. (refer to 2.2.1 <b>Error! Reference source not found.</b> above)?</p> <p>The proposed model aims to ensure that a small credit institution or retail bank is not required to pay the same fees as a large derivatives market maker or similarly, that a small, single market trading venue is not required to pay the same fees as a multi-market trading venue.</p>	

## Section 2: Functionality

<p>3.i</p>	<p>Industry collaboration: Several respondents requested that the DSB engage users in longer range planning sessions to collaboratively design and deploy additional functionality alongside any service changes and/or enhancements, thus resulting in improved user communication and enabling the DSB to become more integrated with industry needs</p> <p>Feedback was also received requesting the following from the DSB:</p> <ul style="list-style-type: none"> <li>○ the provision of regular touch-points with industry</li> <li>○ the need for DSB driven industry working groups to be set up to facilitate work on certain enhancements</li> <li>○ the creation of a forum for the escalation of issues and/or the prioritization of change requests</li> <li>○ improved access to market knowledge, including specialists with detailed, market segment specific knowledge of the relevant protocols</li> <li>○ introduction of additional templates across the full spectrum of OTC derivative products, especially for more granular indices and complex derivatives</li> <li>○ introduction of ISIN hierarchies that fall outside of the regulatory scope</li> <li>○ automation of existing services such as the proprietary index submission and use process</li> <li>○ improved alignment with ISDA and the GFMA</li> <li>○ development of a three-year strategic plan</li> </ul> <p>The proposed structure and composition of the user forum is provided below for industry review and feedback. Based on responses to the first consultation, it is anticipated that:</p>	<p>This proposal, whilst touching on every individual request by respondents to consultation 1, is disproportionate. The provision of regular touchpoints with industry, management of costs and prior approval of additional costs are the only consistent responses. These can be resolved via:</p> <ul style="list-style-type: none"> <li>● improved participation (and perhaps additional attendees) in existing committees</li> <li>● public consultations on new fees and/or services – including decisions to place these outside of the cost recovery model</li> <li>● an open tendering process for additional services</li> <li>● publication of accounts and annual business plan</li> </ul> <p>This would be a low/no cost solution. NEX SEF MTF does not sanction the additional cost of a new forum.</p>
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	<ul style="list-style-type: none"> <li>○ the user forum would be driven by institutions seeking additional functionality and service levels from the DSB</li> <li>○ the user forum would comprise a cross-functional skill set, with a lead representative per organization serving as a conduit into the relevant organization’s needs and priorities</li> <li>○ the user forum would facilitate industry integration as DSB products and services evolve for those user segments seeking enhancements</li> <li>○ the user forum would convene monthly (consistent with anecdotal requests received by the DSB), requiring on average a fortnight’s work effort to ensure preparatory and follow-up activities so that expectations were fulfilled in a manner consistent with that required from key market infrastructure providers</li> <li>○ the user forum could be resourced based using one of the following approaches, based on industry feedback with respect to desired outcomes: <ul style="list-style-type: none"> <li>▪ administrative support to collate/ disseminate feedback and set up logistics. The expected cost is €135k p.a. which includes a blended resource set, office, infrastructure and related administrative and financing costs</li> <li>▪ a mix of administrative and some OTC derivative market experience to facilitate logistics and assist with product/service design. The expected cost is €190k p.a. which includes a blended resource set, office, infrastructure and related administrative and financing costs</li> <li>▪ a combination of resources with deep OTC derivative delivery and product development skills to expedite discussions and delivery, with proactive industry engagement. The expected cost is €230k p.a. which includes a blended resource set,</li> </ul> </li> </ul>	
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	office, infrastructure and related administrative and financing costs	
3.ii	If yes, do you agree with the goals of the suggested forum? Please provide your rationale.	<p>No. This proposal, whilst touching on every request by respondees to consultation 1, is disproportionate. The provision of regular touchpoints with industry, management of costs and prior approval of additional costs are the only consistent responses. These can be resolved via:</p> <ul style="list-style-type: none"> <li>• improved participation (and perhaps additional attendees) in existing committees</li> <li>• public consultations on new fees</li> <li>• an open tendering process for additional services</li> <li>• publication of accounts and annual business plan</li> </ul> <p>This would be a low/no cost solution. NEX SEF MTF does not sanction the additional cost of a new forum.</p>
3.iii	If yes, do you agree with the proposed composition, structure and format? Please provide your rationale.	
3.iv	If yes, which of the three skill sets (proposed above) do you believe is required to support the user forum's goals? Please provide your rationale.	
3.v	If yes, please supply any other views you may have about any specific model you wish to see implemented.	
3.vi	If not, what model do you propose instead (if any)?	<p>This proposal, whilst touching on every individual request by respondees to consultation 1, is disproportionate. The provision of regular touchpoints with industry, management of costs and prior approval of</p>

		<p>additional costs are the only consistent responses. These can be resolved via:</p> <ul style="list-style-type: none"> <li>• improved participation (and perhaps additional attendees) in existing committees</li> <li>• public consultations on new fees and/or services – including decisions to place these outside of the cost recovery model</li> <li>• an open tendering process for additional services</li> <li>• publication of accounts and annual business plan</li> </ul> <p>This would be a low/no cost solution. NEX SEF MTF does not sanction the additional cost of a new forum.</p>
4.i	<p>Responsive enumeration management: The DSB can enable support for faster changes to product definition templates by enabling changes to enumeration lists during availability hours and without the need for industry to engage in a full cycle of redevelopment and testing efforts.</p> <p>The cumulative benefit for the DSB’s programmatic users is non-trivial with five recent market changes requiring updates to approximately 1,200 templates in a three-month period. With each programmatic user spending on average two days developing and regression testing each enumeration change and a total of 78 Power Users having to make changes, this translates to approximately 156 days of “lost” time per change, i.e. 780 “lost” days per quarter across all DSB programmatic users. Given that the current pace of industry change looks set to continue considering both benchmark related evolutions and ad-hoc currency re-denominations (based on feedback received from users and regulators), proceeding with the proposed change would result in industry saving approximately 3,120 days of work effort each year.</p>	<p>No. NEX SEF MTF does not concur. Time and cost saving are irrelevant as NEX SEF MTF <b>does not need this functionality</b>. This should be charged outside of the cost recovery model.</p>

	<p>The DSB anticipates that the DSB Product Committee (PC) and TAC respectively will be involved in the design of the required product template and technology implementations, to ensure an optimal implementation approach that meets industry needs.</p> <p>The proposed solution requires the DSB to implement product template changes whilst the system is live and operational and without incurring any downtime. This requires significant architectural changes to the ISIN engine as well as changes to deployment and monitoring systems and processes.</p> <p>The DSB estimates this will require re-working of the template structure across appx 180 templates to allow for dynamic enumerations. Let's discuss what you're expecting to see in terms of additional detail. The cost is driven by design, documentation, development, QA and deployment effort</p> <p>The DSB estimates build costs within the communal cost recovery ring-fence of €500K - €750K depending on the implementation approach adopted, but does not anticipate any change to on-going run costs. The financial impact is an increase in annualised fees of €125K - €187.5K for 4 years, whilst the build cost is amortized over a 4-year period, as per the existing accounting provision for the amortization of build costs.</p> <p>Do you concur with the implementation of this functionality in 2019, in particular given the significant amount of effort (and cumulative cost) saved by the industry?</p>	
4.ii	<p>If the DSB implements this functionality, do you agree that the PC and TAC should be involved in the design of the product and technology solutions respectively? If not, please propose your alternative industry engagement model.</p>	
5.i	<p>The DSB received feedback to provide ISIN analytics in machine-downloadable format. Based on this</p>	<p>Not required by NEX SEF MTF, but as this can be provided at no additional cost, we have no objections.</p>

	<p>feedback, the DSB proposes to provide the following analytics on a monthly basis:</p> <ul style="list-style-type: none"> <li>○ # of ISIN creates per product template</li> <li>○ # of ISIN retrievals per product template (where ISIN is supplied)</li> <li>○ # of ISIN searches across all product templates (search by metadata)</li> <li>○ # of ISIN creates per user fee category</li> <li>○ # of ISIN retrievals per user fee category (where ISIN is supplied)</li> <li>○ # of ISIN searches per user fee category (search by metadata)</li> <li>○ # of ISINs submitted to FIRDS per product template</li> </ul> <p>DSB expectation is that such analytics can be provided at no incremental build or run cost, as long as the information is placed on the DSB website once a month, for user download in a csv file format.</p> <p>Is the proposed list of analytics appropriate? Please provide an explanation of your reasoning for any changes you would like to see.</p>	
5.ii	<p>Is the proposed monthly frequency of update appropriate? If not, please provide your reasoning, bearing in mind that more frequent updates may result in an incremental uplift in resource requirements</p>	
5.iii	<p>Is the proposed delivery model of csv file download from the DSB website appropriate? If not, please provide an alternative alongside your reasoning.</p>	
<p><b>Section 3: Service Levels</b></p>		



6	<p>Several requests were made to enable broader industry representation in the PC to enable improved integration with industry. As a reminder, the PC is currently comprised of an equal number of representatives from the buy-side, sell-side and trading venues</p>	<p>Yes. See our answer to 3ii.</p>
7	<p>A recommendation was also made that the DSB not become a member of trade associations but instead reach out to the various bodies asking if the DSB can monitor the output of deliberations of various derivatives working groups on an ongoing basis</p> <p>Which specific industry working groups should the DSB reach out to in order to ensure it is able to monitor the output of various discussion fora and thus feed into the product roadmap and Product Committee deliberations on a proactive basis?</p>	<p>EVIA and ISDA have relevant memberships.</p>
8.i	<p>General consensus was that holiday downtime should be eliminated and that the DSB should look to move to a 24/6.5 or 7/7 model to facilitate a global trading environment.</p> <p>The DSB anticipates that supporting the additional coverage and services would require the following marginal resource increase. Note that the figures below are provided on both an isolated service and combined package basis, with isolated costs over-estimating the actual resource requirements given the synergies across the individual items.</p> <p><u>Isolated service costs</u> – if any given service was to be implanted on a stand-alone basis:</p> <ul style="list-style-type: none"> <li>○ Remain operational across all holidays (0.2 FTE technical support uplift)</li> <li>○ Increase availability hours from 24x6 to 24x6.5 by reducing weekly downtime to between Saturday 20:00 UTC and Sunday 08:00 UTC (0.6 FTE technical support uplift)</li> <li>○ Improve email response times for Power Users (2 FTE technical 24 x 6.5 coverage: 2 x additional technical support)</li> </ul>	<p>No. NEX SEF MTF does not concur. NEX SEF MTF <b>does not need this functionality</b>. This should be charged outside of the cost recovery model.</p>

	<ul style="list-style-type: none"> <li>○ Instigate on-call rota for technical support during unavailability hours for addressing system failures (0.5 FTE technical support uplift)</li> <li>○ Move to a monthly release schedule for all Business-as-Usual functionality changes, with the aim of moving to quarterly release cycles by the end of the 2019 (no impact on resourcing)</li> </ul> <p><u>Packaged service costs</u> - implementing the service level improvements in I through V above as a synergistic package will result in the following resource uplifts:</p> <ul style="list-style-type: none"> <li>○ Technical Support uplift from 6.5 FTE to 10 FTE</li> <li>○ Secretariat / Product Management uplift from 2 FTE to 3 FTE</li> <li>○ Implementing this service is expected to cost €700k p.a. which includes resource, office, infrastructure and related administrative costs.</li> </ul> <p>Do you concur that the DSB should be implementing the proposed service level improvements as outlined above? Please explain your reasoning.</p>	
8.ii	<p>If not, which of the individual service level improvements outlined above would you wish to see implemented, if any? Please explain your reasoning.</p>	None. Not required by NEX SEF MTF.
8.iii	<p>Telephone access to technical support during availability hours requires an additional 4.5 x FTE technical Support uplift. Implementing this service is expected to cost €610k p.a. which includes resource, office, infrastructure and related administrative and financing costs.</p> <p>Do you believe telephone access to technical support is required within the cost-recovery ring-fence? If yes, what availability hours do you require?</p>	No. NEX SEF MTF does not concur. NEX SEF MTF <b>does not need this functionality</b> . This should be charged outside of the cost recovery model.

8.iv	<p>Telephone access to product support during London hours requires an additional 1x FTE secretariat / product management uplift. The expectation is that this resource would be able to respond to the more complex questions typically requested by Power Users. Implementing this service is expected to cost €360k p.a. which includes resource, office, infrastructure and related administrative and financing costs.</p>	<p>No. NEX SEF MTF does not concur. NEX SEF MTF <b>does not need this functionality</b>. This should be charged outside of the cost recovery model.</p>
8.v	<p>Do you believe telephone access to technical support is required within the cost-recovery ring-fence? If yes, what availability hours do you require?</p>	<p>No. NEX SEF MTF does not concur. NEX SEF MTF <b>does not need this functionality</b>. This should be charged outside of the cost recovery model.</p>
9	<p>Performance SLA – The DSB proposes to implement the following changes to its performance metrics</p> <ul style="list-style-type: none"> <li>○ 500ms latency for 99% of workflows related to ISIN Record retrieval</li> <li>○ 1,000ms latency for 99% of workflows related to ISIN Create Requests</li> <li>○ 5,000ms latency for 99% of workflows related to ISIN Search (by metadata)</li> <li>○ Implementation of this change has no impact on DSB build or run costs.</li> </ul> <p>Are there any other latency metrics that should be part of the DSB performance SLA?</p>	
10.i	<p>Acceptable Use Throughput – The DSB has two possible approaches to modify the throughput caps:</p> <ul style="list-style-type: none"> <li>○ Modify the throughput caps to allow occasional bursts above the permitted caps of 60 REST APIs per connection and one simultaneous FIX message in flight. Such a change requires a one-off €120K build cost to the monitoring and reporting systems to allow automated tracking of such burst behaviour. There is also the need for some additional system resources, dependent on the amount and duration of the burst period. As an example, the DSB estimates that allowing</li> </ul>	<p>No. NEX SEF MTF does not concur. NEX SEF MTF <b>does not need this functionality</b>. This should be charged outside of the cost recovery model.</p>

	<p>bursts of one hour in any 24-hour period at double the throughput caps will likely increase the DSB run costs by €75K. In this scenario, the overall result will be an increase in DSB costs of €75K on a recurring basis, plus an additional €30K per annum amortization of the build cost, time-limited to 4 years.</p> <ul style="list-style-type: none"> <li>○ Double the throughput caps to allow constant higher levels of throughput without regard to the concept of any ‘burst mode’. Such an approach requires increased system resources, increasing the run-costs of the DSB by an estimated €420K per annum. There is no build cost for this option.</li> </ul> <p>Should the DSB implement the ‘burst mode’ approach highlighted above? If yes, is a burst duration of one hour every 24 hours an appropriate initial implementation?</p>	
10.ii	<p>Should the DSB implement an increase in the throughput caps? If so, is a doubling of the existing cap level an appropriate initial implementation?</p>	<p>No. NEX SEF MTF does not concur. NEX SEF MTF <b>does not need this functionality</b>. This should be charged outside of the cost recovery model.</p>

**Section 4: Service Resiliency**

11	<p>Some respondents concurred with the need for the DSB to institute multiple primary based disaster recovery architecture. The DSB expects such an approach will reduce industry downtime during a disaster from 4 hours to between 1-2 hours.</p> <p>The implementation of such a solution requires a significant change to the DR architecture. The DSB estimates build cost of a primary / primary model at between €1m and €1.5m, with no additional run-cost implications. The resulting annual increase in costs within the communal cost recovery ring-fence would be between €250K and €375K per annum for the 4 years of build cost amortization.</p> <p>If approved, the DSB proposes to implement this approach by working with the TAC to agree the detailed design.</p> <p>Do you concur with implementation of this approach?</p>	<p>The cost versus benefit of this approach is not proportionate. This should not be implemented.</p>
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### Section 5: Usage and Access Agreement

12.i	<p>There has been mixed response on the desire for differentiated agreement terms for intermediaries (e.g. data vendors or other institutions providing enhancement, storage or distribution of DSB Power User Data. Note that DSB Registered User Data (i.e. data drawn exclusively from end of day file downloads) is free to use and/or distribute, subject to third party terms.) vs. End Users.</p> <p>Do you believe audit rights should be incorporated within the agreement terms for such institutions?</p>	<p>We think it makes sense for there to be proportionate audit rights in all DSB agreements.</p>
12.ii	<p>Do you have a view on the specific terms you wish to see excluded/included within the user agreement for intermediaries? Please specify exact language and rationale for your proposal.</p>	

### Section 6: AOB

13	Please insert any other comments you wish to provide	<ol style="list-style-type: none"> <li>1. Trading Venues must produce ISINs for the benefit of all customers. However, this is a utility service for which we otherwise gain no benefit and for which we have to absorb all costs as they are not passed on to end customers.</li> <li>2. NO additional functionality is required for TVs. As long as the ISIN is provided no other special arrangements are required.</li> <li>3. The consultation proposes new functionality and services costing £2.2-2.8m pa. This is an uplift of over 25% of the £8.8m figure provided in the consultation paper. Many Power Users, especially MTFs do not need any of the additional functionality and therefore it is not proportionate to add these costs. All changes in the consultation paper should be outside of the cost recovery model, if added at all.</li> </ol>
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