## 6.2 Appendix 2 – Summary of Consultation Questions for Industry

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

- Consultation responses should be completed using the form below and emailed to industry_consultation@anna-dsb.com
- An 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 a specific request is made.
- Respondents are requested to state whether they concur with the assumptions and principles set out in the document, or propose alternate evidence driven considerations that they believe should be utilized instead and/or alongside the proposals set out in this paper.
- Respondents also can also provide any general comments in the final section of the response form provided at the end of this paper.
- The consultation enables the DSB to ensure that the DSB can work to reflect the best target solution sought by industry (within the governance framework of the utility).
- As with prior consultations, each organization is permitted a single response.
- 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 second consultation report.
- Responses must be received by 5pm UTC on Friday 5th March 2021.
- Two webinars to address consultation related queries will take place, with timings to suit market participants around the globe.
  - Register here for the webinar at 6am UTC on Tuesday 2nd February 2021
  - Register here for the webinar at 1pm UTC on Wednesday 3rd February 2021

## Respondent Details

| | |
|---|---|
| **Name** | Felix Ertl |
| **Email Address** | felix.ertl@bvi.de |
| **Company** | BVI |
| **Country** | Germany |
| **Company Type** | Other |
| **User Type** | Select Type |
| **Select if response should be anonymous** | ☐ |

| Q# | Question | Response |
|---|---|---|
| 1a | **Summary:** The DSB estimates approximately that 20,000 organizations globally are likely to connect to the DSB to access UPI data, with supporting rationale set out below. This estimate is predicated on a steady state expectation based on the information set out in the supporting information.<br><br>**Question 1a:** Do you concur with the UPI user connectivity assumptions set out in the supporting information? | Generally, we agree with the connectivity assumptions. Fund management companies will principally be part of the legal entities which will connect free of cost to the DSB UPI service. |
| 1b | **Question 1b:** If not, what specific alternate approach do you recommend? Please provide a clear rationale and cite publicly available sources for any additional data points you believe should be incorporated into the DSB's assumptions. | Generally, we agree with the connectivity assumptions. Fund management companies will principally be part of the legal entities which will connect free of cost to the DSB UPI service. |
| 2a | **Summary:** The DSB anticipates that users will require support for three types of workflows, subject to their regulatory needs. Some users will only require the ability to create, search for and/or download the UPI reference data record, whilst a second category may only require the ability to create, search for and/or download the OTC ISIN, and a third set of (likely global) participants are likely to have reporting needs that require either the UPI or the OTC ISIN, subject to their reporting jurisdiction.<br><br>**Question 2a**: Do you concur with the anticipated workflows presented in the supporting information? | |

| Q# | Question | Response |
| --- | --- | --- |
| 2b | **Question 2b:** If not, what specific alternate approach do you recommend? Please provide a clear and objective rationale for each alternate approach you recommend. | We agree with the anticipated workflows. These leave all market participants (e.g. fund management companies) enough flexibility to choose their preferred access channels. We support also the possibility to access only the UPI code on a stand-alone basis meaning that UPI users should have equitable terms and conditions which should not be bundled with other DSB services (e.g. CFI, FISN, OTC ISIN). Furthermore, the DSB should also take into consideration that UPI users (e.g. fund management companies) could obtain the UPI code directly from their trading counterparties (e.g. broker/dealer) without accessing the DSB service.<br><br>In the context of the EMIR reporting obligation, the reporting entities (e.g. fund management companies) depend strongly on the future validation rules and information provided by the trade repositories in respect to the UPI. Therefore, it could be possible that the trade repositories access the DSB UPI services in order to verify if the transmitted UPI by the reporting entities is valid or not. Currently, it is not clear which service the trade repositories will provide to the reporting entities in respect to the UPI. |
| 3a | **Summary:** The DSB proposes to facilitate access to the UPI service and the UPI reference data library on a programmatic basis, via a web front end, and via a file download service, with records available in a machine-readable format.<br><br>**Question 3a**: Do you concur with the proposal presented in the supporting information, which seeks to leverage the core approach utilized for the existing service, and which has been endorsed by industry through several rounds of consultation? | We welcome the proposal by the DSB to leverage the capabilities of the existing access services (e.g. CFI and OTC-ISIN requirements) to the extent practicable. UPI users should access the UPI service on a programmatic basis, via a web front end, and via a file download service with records available in a machine-readable format. This will give all market participants (e.g. fund management companies) enough flexibility to choose their preferred access channels. |

| Q# | Question | Response |
|---|---|---|
| 3b | **Question 3b:** If not, what specific alternate approach do you recommend? Please provide a clear and objective rationale for each alternate approach you recommend. | Please see our answer to Q 3a. |
| 4 | **Summary:** Given the lower anticipated UPI volumes (compared to the existing OTC ISIN service), the DSB foresees a risk that a larger proportion of the UPI user base (compared to the OTC ISIN service) may rely exclusively on the DSB's free service, which includes the daily generated machine-readable download files. In this circumstance, the cost for each fee-paying user would be higher than otherwise.<br>In order to mitigate this risk, the DSB proposes to provide access to the daily data files with a two-day time-delay.<br><br>**Question 4:** Do you agree that the DSB should provide access to the UPI end of day data files with a two-day time-delay in order to ensure a fair distribution of cost across users? | **No, we strongly disagree**. As the DSB will leverage the processes and functionality of its existing systems and services and as the UPI contains also data attributes of the OTC-ISIN (and vice versa) we do not see the necessity to provide free access to the daily download files with a delay of two days. Furthermore, as the daily creation number of new UPIs will be substantially less than the daily volume of new OTC-ISINs, we believe that incremental costs to produce the UPI service should be allocated to the existing paying stakeholders (e.g. sell-side and data vendors). Such market participants have strong commercial interests to promote newly and innovative (OTC) derivative contracts (e.g. ESG related products) to the buy-side firms. On top, the relevant data vendors charge already today ever-increasing financial market data costs to the fund management companies.[1] **Therefore, we strongly encourage the DSB to provide the UPI code in machine-readable download files for free to all registered users (e.g. fund management companies) at the end of the day.** |
| 5 | **Summary:** In order to keep the UPI build and operating costs low for both industry and the DSB, the DSB will re-use its existing staff, systems and processes wherever appropriate. This re-use will result in shared costs between the DSB's existing services and UPI services and therefore the DSB requires a policy for allocating such shared costs fairly across the services. The policy will be the subject of controls that will be validated through the DSB's third-party assurance programme. | We agree with the cost allocation policy. |

[1] Please see the following position: https://www.bvi.de/fileadmin/user_upload/20210106_BVI-position_FCA_cons.pdf

| Q# | Question | Response |
|---|---|---|
| | Given the start-up nature of the UPI service, the DSB is mindful that a large initial allocation of overheads against the UPI service may place a large cost onto a small number of users in the initial jurisdictions that go live with the UPI. Therefore, the DSB is proposing a phased approach with the allocation of shared costs against the UPI service rising incrementally in the first few years.<br>Specifically, the DSB proposes that:<br>- The initial UPI build costs be amortised as per existing DSB policy (as consulted in section 5.8 / *Q8 Capital Expenditure Amortisation Approach*), with the first year of amortisation being 2023. This means 2022 UPI users will not contribute towards the amortisation costs, given the smaller anticipated number of UPI users in 2022 vs 2023<br>- 100% of the synergies available by leveraging the existing DSB platform to be allocated to UPI users in 2022 and 2023, after which the available synergies to be shared between both OTC ISIN users and UPI users via an allocation policy that the DSB will propose and consult with stakeholders in 2023<br>**Question 5:** Do you agree with the DSB's proposed cost allocation policy for the DSB's costs? | |
| 6 | **Summary:** In order to provide clarity on the commitments and responsibilities of UPI users and the DSB to each other, the DSB expects all UPI creators and API users to sign a common User | Yes, we agree. |

| Q# | Question | Response |
|---|---|---|
| | Agreement. Based on feedback from the DSB's existing user base, the DSB believes the most appropriate period for the UPI User Agreement is the Gregorian calendar year.<br>The DSB anticipates launching its production UPI service at the end of June 2022. Given the intra-year start to the service, the DSB proposes that the duration of the first User Agreement to be shorter than the standard 12 months in subsequent years, in order to align all subsequent User Agreements with the Gregorian calendar year. This will result in a proportional reduction in the initial fee to compensate for the shorter duration.<br><br>**Question 6:** Do you agree with the DSB's proposal for a short duration User Agreement for UPI users in 2022 that ends on 31 December 2022, followed by annual contracts that cover a full Gregorian calendar year? | |
| 7 | **Summary:** In order to provide budget certainty to the user base and guarantee the financial stability of the service, the DSB proposes to invoice users a single fixed amount on, or shortly in advance of, the User Agreement (UA) period to cover the entire UA period.<br>Any differences between the DSB's actual costs and the revenues received in the UA period will be reconciled after the DSB's accounts for that period have been audited, with any surplus / deficit applied as an adjustment to the user fees for the year subsequent to the audited accounts being finalised. | We agree. |

| Q# | Question | Response |
|---|---|---|
| | **Question 7:** Do you agree with the DSB's approach to invoicing users for its services? | |
| 8 | **Summary:** The DSB will treat the cost of the initial build and any subsequent investment in system enhancements as capital expenditure and will amortize these costs over a number of years, as per generally accepted accounting principles.<br>The DSB proposes to amortize the capital expenditures over 4 years, starting from the first full year when the service benefits from the capital expenditure. This approach is consistent with the DSB's existing capital expenditure policy.<br><br>**Question 8:** Do you agree with the DSB's approach to amortisation of its capital expenditure over 4 years, starting from the first full year when the service benefits from the capital expenditure? | We have no comments. |
| 9 | Please use this space for any other comments you wish to provide. | We have no additional comments. |