May 23, 2017

To: ANNA Derivatives Service Bureau
c/o DSB-PC-Secretariat at secretariat@anna-dsb.com

Re: Fee Consultation Paper 2

From: Bloomberg L.P.
For questions regarding this response, please contact:
Richard C. Robinson (rrobinson57@bloomberg.net) and
Richard Young (ryoung94@bloomberg.net)

Responses to questions are as follows;

ANNA DSB Fee Model Consultation Paper2

No.	Question	CP Ref	Response
1	***Do you agree that 4 years is an appropriate time frame to amortize the start-up costs? Please provide any relevant evidence to support your answer.***	8	We find that the issue of costs associated with the DSB is still a very opaque one. No meaningful details are presented as to how the initial costs have been reviewed and audited. Whilst we recognize that the DSB does intend to engage an independent consultancy for ongoing cost monitoring, very little detail around this is provided. Confidence around costs is not enhanced when comparing the first fee document with this second consultation. The first fee model consultation indicated that costs would be 'insensitive to the volume of ISINs being created'. Now we find that 'additional users are projected to require capacity increases' with associated additional costs. Whilst we cannot determine whether four years is the correct timeframe to amortize existing upfront costs, of far more concern is the need for a robust transparent process around these costs.
2	**Do you agree with the proposal to create a contingency fund of EUR750k to cover unplanned costs during the initial few years of operation? If not, please suggest alternative approaches to financial risk management in a cost-recovery construct.**	8	Prudent financial planning is essential, particularly for a vital industry infrastructure. It is not, however, possible to comment on whether EUR750k is the right contingency figure, as there is insufficient information about the DSB operations available to enable a definitive comment.
3	***Do you agree with the proposal to simplify the fee model by***	10	Yes it is appropriate to remove this distinction which made little sense in the first place.

	eliminating the differentiation between users requiring access to a single asset class vs multiple asset classes? Please provide details and any relevant evidence to support your answer.		
4	***Do you agree with the proposal to provide the full database archive to Registered Users (at no charge), in addition to the paid user categories? Please provide details and any relevant evidence to support your answer.***	10	Yes we do agree with this, however the table given on Page 10 is very unclear on this point. It talks about 'Access to full archive (end of day T-1)'. It is not clear what this means in practice because a Power User is said to be able to get 'todays ISINs' implying that no one else can. So is the distinction between Power User access and other access related to intra-day ISIN consumption, or does this imply that others will not be able to get anything more recent than the ISINs for end of day yesterday? If this is not the case, at what time today would other users be able to obtain an archive of all ISINs created up to and including today?
5	***Do you agree with using 3 as the ratio of fees between Power Users and Standard Users? If not, please provide details and any relevant evidence to support your suggested ratio.***	11	Clearly a Power User will get more from the service, so would expect to pay a higher fee, however we have no way of telling if 3 is the correct multiplier.
6	***Are there any specific challenges you will face meeting the contract execution and payment deadlines stipulated above? Please provide details.***	11	The timeframe is extremely tight. If agreements are only available at the beginning of July then a fully executed contract by 1st September would be challenging. We note that the 1st September date is the one used to calculate the level of fees for the first year by dividing the projected costs amongst the number of users signed up at this point. We have a number of concerns with this whole process: 1) This means that firms who execute their contracts in time to meet the 1st September deadline have no idea what actual annual fee they are signing up to. In effect firms are being asked to write a blank cheque. 2) If only a small number of firms are able to make the deadline of 1st September then those firms will be hit with potentially a very high initial fee. 3) Presumably late joiners will be hit with the same fee as that imposed from 1st September but will pay that fee in return for less than 12 months service – meaning anyone who cannot get agreements

			processed by 1st September will be penalized. We would propose that the DSB defer final fee setting until the start of 2018. This would then provide a fee period of a calendar year, and allow a better picture of the likely user base to emerge upon which fees could be set, and invoices then dispatched.
7	***Do you agree with the principle of using excess revenue to reduce the subsequent year's fees? If not, please explain your reasoning and provide industry examples to support your view.***	14	We do agree that excess revenue should be re-distributed back to users. A good principle, though, would be to avoid the need as far as possible. In so far as redistribution is needed we have some concerns over the methodology which has been adopted. As mentioned above we think that the setting of 1st September as the determination point for the annual fee is too early, and may well produce a much higher first year fee than is needed. We also think that for the first two years, whilst the system is stabilizing, that the DSB consider a more frequent fee review than once per year. If the user base increases during the first year then an opportunity to review, and hopefully to reduce, the fees should be considered after six months from the start of the billable contractual period (which we suggest above should be from January 2018 and not September 2017). All of these suggestions would help to reduce the burden on the industry.