

DERIVATIVES SERVICE BUREAU

2019 USER FEE AND USER AGREEMENT: 1ST CONSULTATION ANALYSIS REVIEW & OVERVIEW OF 2ND CONSULTATION

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I. OVERVIEW

2019 DSB Fee Model and User Agreement – First Consultation & Responses

- Ended 13 June 2018 – DSB received 16 responses representing 20 institutions
- Topics covered user categorisation & fee model, user agreement, functionality, service levels & service resiliency
- Primary respondents were Power Users
- Divergence in needs of different user categories e.g. Systematic Internalisers versus Trading Venues

2019 DSB Fee Model and User Agreement – Second Consultation

- Analysis of responses received from First Consultation (all responses received are published [here](#))
- Ask additional questions to request more detailed feedback on the open items
- DSB Technology Advisory Committee (TAC) will provide a view on matters involving infrastructure, connectivity and disaster recovery to ensure progress remains aligned with market feedback
- Closes 27 July 2018 with Final Report publication scheduled for 20 August 2018

2. DSB CONSULTATION TIMELINE

Date	Milestone	Status
Fri 18-May-2018	DSB Webinar on 2019 Fee Model, User Agreement principles (first consultation)	Completed
Wed 13-Jun-2018	Deadline for industry feedback on presentation deck from 19 May 2018	Completed
Thu 28-Jun-2018	Publication of second DSB consultation	Completed
Tue 03-Jul-2018	Second DSB webinar on Fee Model & User Agreement Consultation	
Fri 27-Jul-2018	Deadline for industry feedback on second consultation from 28 June 2018	
Mon 20-Aug-2018	Publication final report following second consultation + draft 2019 user agreement	
Sun 20-Sep-2018	Publication of finalised User Agreement	
Wed 05-Dec-2018	Finalised 2019 costs + per user fees + # of users (per 2018 Charges Policy)	

3. FORMAT FOR INDUSTRY RESPONSE

Proposed Format for Industry Responses to the DSB Consultations

- Designed to consolidate industry feedback in a scalable manner
- Consultation responses to be completed using the form at the end of the second consultation document available [here](#) (pages 29-41) and emailed to industry_consultation@anna-dsb.com
- Stipulate whether the respondent wishes the response to be treated as anonymous. Note that all responses are published on the DSB website and are not anonymized unless specific requests are made
- Where applicable, responses should include specific and actionable alternative solution(s) that would be acceptable to the respondent in order to ensure that the DSB can work to reflect the best target solution sought by industry as a whole (within the governance framework of the utility)
- **Responses must be received by 5pm UTC on 27 July 2018**
- All consultation related queries should be directed to industry_consultation@anna-dsb.com

4. DSB FEE MODEL PRINCIPLES

Cost Recovery

- The numbering agency services will be provided on a cost-recovery basis, including cost management, optimisation and efficiency

Unrestricted Data

- DSB ISINs and their associated data will have no licensing restrictions on usage and distribution

Open Access

- Access to the DSB archive for consumption of OTC derivative ISINs and associated reference data will be available to all registered organizations and users

Payment in Advance

- To the extent possible the DSB will levy fees through annual contracts that require payment in advance, in order to provide clarity in aligning fee levels with cost recovery

5. 2018 COST BASIS

Total cost recovery 2018 = €9.2m

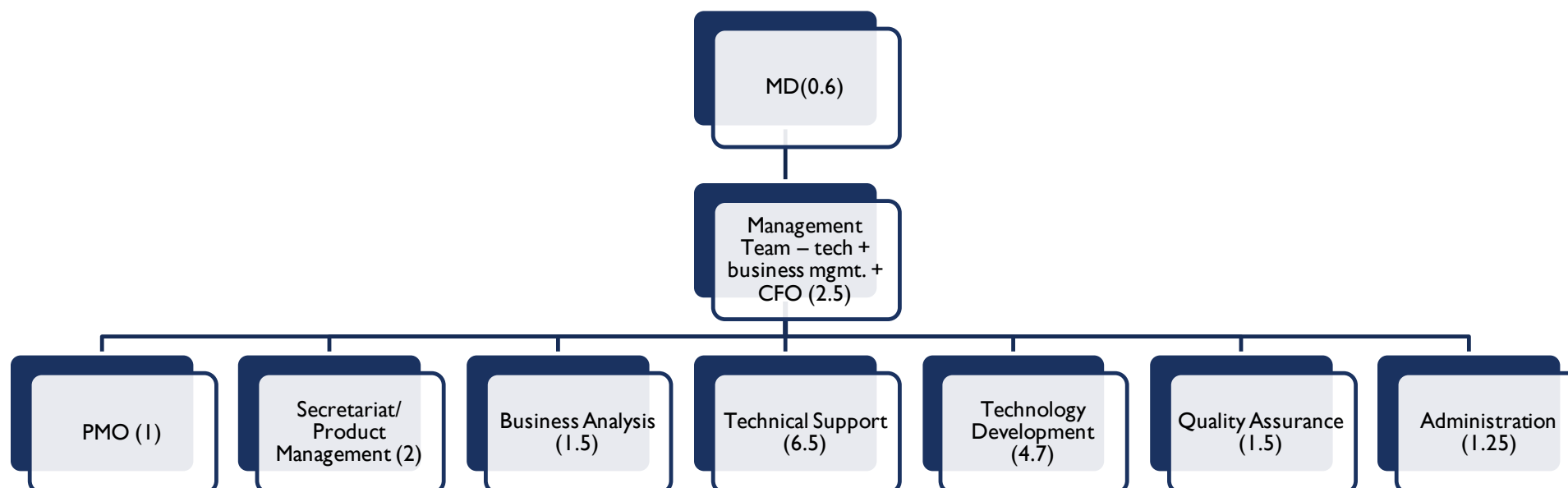
Category (Recurring)	Description	Amount
Technology & Operations	Operation of the DSB platform including technical and asset class support.	€4,103K
	Support of new ToTV/uToTV functionality, default attribute provision and ReST API introduction	€550K
Management	Senior management team including MD, MSP management team and CFO	€967K
Administration	Administrative costs and overheads such as office space, travel and expenses and administrative support functions	€520K
External consultants	External oversight and legal, professional & communication	€476K
Total	Initial €6,616K + 4.8% (€420K) increase comprising - €240k ToTV, €60K TAC, €95K GDPR & €25K IPR legal	€7,036

Category (Time-limited)	Description	Amount
Start-up costs	Amortization of start-up costs over the first 4 years	€1,463K
Financing costs	Start-up loan interest costs repaid over 4 years	€320K
Contingency	An annual contingency fund to cover unplanned costs during the initial few years of operation.	€375K
Total		€2,158K

6. DSB EXECUTION TEAM

2018: 21.5 FTE supporting 2,000 individual user accounts at 373 institutions + engagement in industry forums

2019: Dependent on support and service levels desired by industry



7. SUMMARY OF INITIAL PROPOSALS

- Use of segment MIC as indicator for trading venues participation in fee model
- Consideration of agreement terms for Intermediaries
- Programmatic User category segmented based on industry use & new “Search Only Standard User” category
- Transition of Standard User to API format, including doubling of annual ISIN create request capacity
- Power Users to benefit from additional CFI search and/or create request capacity
- Potential for improved GUI search functionality
- Proposed introduction of an Excel plug-in and csv based search results
- Potential to improve change process for product templates related to enumeration list changes
- Reconsideration of service availability hours to cover global usage requirements
- Potential for increased technical and product support
- Consideration for an enhanced disaster recovery architecture and dual cloud deployment

8. RESPONSE HIGHLIGHTS: USER CATEGORIZATION AND FEES

Response Summary

- Trading Venues & Systematic Internalisers not in favour of DSB evolving to a segment MIC fee model – not true representation of separate platforms
- Proposal that all EU based MiFID II participants should be required to pay DSB fees irrespective of usage of OTC ISIN data
- Recommendations to reduce the number of categories or, at a minimum, to not further expand the current user types
- Request for multi-faceted organisations to have a simplified user agreement process i.e. group companies
- Request for further details on costs, financial and audit details to provide greater transparency

Next Steps

- Seek industry guidance on alternative models to segment MIC and multi-faceted organisations with a focus to ensure smaller users are not placed at an economic disadvantage
- Further guidance required on segmentation between heavy & lower users to be addressed as a future item
- Publish audited financial accounts once available, estimated Sept 2018
- DSB to make available the ISAE3402 third-party assurance report to users once completed, estimated Q1 2019

8. RESPONSE HIGHLIGHTS: FUNCTIONALITY

Response Summary

- General consensus that no new search or API functionality required e.g. GUI search, excel plug-in, csv download formats
- No requirement for real-time analytics but some requests for regular publication of user level metrics
- Mixed opinion as to whether the product template change process should be revised to enable more rapid deployment including reduction in industry testing
- Several requests for DSB to engage users in longer range planning to collaboratively design and deploy service changes and/or enhancements for improved user communication and enabling the DSB to become more integrated with industry
- Detailed feedback on each item is provided as part of the TAC presentation, [available here](#)

Next Steps

- No further activity on new search download formats, new API formats, new file download formats, enhanced GUI search functionality as part of the communal cost recovery ring-fence
- Seek industry guidance on proposed user forum – associated costs provided in question 3
- Seek industry guidance on introduction of product template changes to enable faster change implementation whilst reducing industry testing requirements – associated costs provided in question 4
- Provision of monthly machine readable ISIN analytics at no incremental cost – details available question 5

8. RESPONSE HIGHLIGHTS: SERVICE LEVELS

Response Summary

- Account managers not required although mixed views on the need for phone based technical and product support
- Several comments to increase representation in the Product Committee
- Clear view that membership to trade associations not required but contact with various working groups is a necessity
- Request for financial, audit and governance details to be made available on the website
- Holiday downtime should be eliminated although currently weekly downtime is adequate
- Request for review of throughput or weekly volume caps
- Consideration for technical support monitoring outside DSB availability hours
- Detailed feedback on each question is also provided as part of the TAC presentation, [available here](#)

Next Steps

- Review Product Committee structure & format as well as confirm which industry working groups should be approached
- Seek industry guidance on elimination of holiday downtime which will require marginal resource increase – associated costs provided in question 8
- Seek industry guidance on modification to acceptable Use Throughput – associated costs provided in question 10

8. RESPONSE HIGHLIGHTS: SERVICE RESILIENCY

Response Summary

- Mixed views on enhanced disaster recovery architecture requirements
- Dual-cloud provisioning not required
- Detailed feedback on each question is also provided as part of the TAC presentation, [available here](#)

Next Steps

- No further action regarding dual-cloud provisioning
- Seek industry guidance on target disaster recovery model – associated costs provided in question 11

8. RESPONSE HIGHLIGHTS: ACCESS AND USAGE AGREEMENT

Response Summary

- No penalties needed, transparency and governance are better routes to ensuring DSB stability and adherence to SLAs
- Mixed responses on alternatives models to address the uncapped fee amount considerations ranging from a proposal of a flat fee for all EU MiFID II participants (irrespective of their use of DSB data) through to being based on ISIN volumes. There was also a request for transparency and governance to facilitate early sight of the proposed fee structure
- Range of views regarding unilateral changes to the agreement from changes only required by regulation to the requirement of 30 days notice period for review and feedback from users
- Mixed views on Intermediaries having the same terms as End Users as well as some users expressing audit rights should be incorporated to mitigate the risk of cross-subsidisation

Next Steps

- DSB to provide transparency over performance against SLAs through providing operational status information for each month. Information about incidents and the accompanying root cause analysis is currently available on the [DSB website](#)
- Seek industry guidance on the agreement terms for Intermediaries
- Publish audited financial accounts once available, estimated Sept 2018
- DSB to make available the ISAE3402 third-party assurance report to users once completed, estimated Q1 2019

9. FURTHER INFORMATION

- DSB Second Consultation Paper & Response Form is available [here](#)
- All consultation related queries should be directed to industry_consultation@anna-dsb.com
- Product documents, user notifications, FAQs & operational status: <https://www.anna-dsb.com/>
- Regular DSB blogs: <https://www.anna-dsb.com/blog/>
- Technical documentation: <https://github.com/anna-dsb>
- Request registration by emailing technical.support@anna-dsb.com
- General questions: secretariat@anna-dsb.com

Thank you!