



Derivatives Service Bureau

Industry Views Sought on Proposed Amendments to
Functionality, Data Enhancements, Service Availability and
Legal Matters

Final Report

1 July 2020

Contents

1	Introduction	3
2	Executive Summary.....	4
3	Consultation Timeline	5
4	Principles.....	6
5	Response Highlights.....	7
6	Consultation Considerations.....	8
6.1	FUNCTIONALITY	8
6.1.1	Q1 – Structured Communication Format to Aid User Automation and Digitization	8
6.1.2	Q2 – Create a New DSB User Type with “Search Only” API User	10
6.1.3	Q3 – Provide One-Time Data Snapshots for Download.....	12
6.2	DATA QUALITY ENHANCEMENTS	15
6.2.1	Q4 – OTC Derivative Financial Instrument Short Name (FISN) Review	15
6.3	SERVICE AVAILABILITY	17
6.3.1	Q5 – Multi-Cloud Configuration.....	17
6.3.2	Q6 – Single Active Region Risk Assessment.....	19
6.4	USER AGREEMENT	20
6.4.1	Q7 – DSB Governance Policy Dispute Resolution Mechanism.....	20
7	Appendices.....	22
7.1	Appendix 1 - Cost Basis 2021	22
7.2	Appendix 2 - Principles for Excess Fee Income Redistribution	23

1 Introduction

The Association of National Numbering Agencies (“ANNA”) founded the Derivatives Service Bureau (DSB) for the allocation and maintenance of International Securities Identification Numbers (ISINs), Classification of Financial Instrument (CFI) codes and Financial Instrument Short Names (FISNs) for OTC derivatives.

The allocation of ISINs to these instruments, as well as the provision of access to the ISIN archive and associated reference data, comprise the numbering agency function of the DSB. This function is overseen by ANNA as the Registration Authority for ISINs under contract with the International Organization for Standardization (ISO) through strict rules over business and technical operations, including limiting user fees to cost recovery.

The European Union’s MiFID II/ MiFIR regulations mandate the use of ISINs to identify certain OTC derivatives, starting 3rd January 2018. The affected OTC derivatives include those tradeable on a European trading venue (ToTV) and those with underlying asset(s) tradeable on a European trading venue (uToTV). The reporting obligations for these instruments affect trading venues and Systematic Internalisers (SIs)¹. ANNA, after discussions with the industry and ISO, set up the Derivatives Service Bureau (DSB) to assign global, permanent and timely ISINs to OTC derivatives.

The current level of OTC ISIN, CFI and FISN generated by the DSB is designed to enable users to satisfy obligations under MiFID II and MiFIR, with the capability of an identification hierarchy to be introduced as required by industry, such as Unique Product Identifier (UPI)². Likewise, the CFI codes provided assist with EMIR Level III reporting to offering a single, consistently generated value that can be absorbed by all users of DSB data.

Over 70% of institutions using the DSB access the service free of cost as Registered Users, 15% Power Users (organizations – including affiliates - with programmatic connectivity), 8% Infrequent Users – including affiliates (GUI connectivity) and 2% Standard Users – including affiliates (GUI connectivity). Amongst fee paying users; banks and credit institutions contribute towards 56% of DSB fees, trading venues contribute 33% with the balance comprised of the buy-side, data vendors and others.

The purpose of this document is to present the annual consultation Final Report focused on proposed amendments to functionality, data enhancement, cybersecurity and legal matters for the 2021 service provision. As part of the DSB’s commitment on continued operational efficiency, only one consultation paper will be published in 2020, in order to allow user fee estimates to be made available two months earlier than in prior years.

In addition, mindful of the unusual circumstances the world finds itself in due to the COVID-19 pandemic, and DSB users’ focus on managing their organizational needs while largely working from home, this paper contains a reduced number of questions for consultation, so that industry’s time and effort is optimized on more narrowly focused questions.

¹ As defined in MiFIR

² <https://www.fsb.org/2019/05/fsb-designates-dsb-as-unique-product-identifier-upi-service-provider/>

2 Executive Summary

Upholding the International Organization for Standardization (ISO) principles, including operating on a cost-recovery basis, the implementation of ISIN, FISN and CFI codes for OTC derivatives has been achieved through ongoing, collaborative work with market participants, regulators and other standards bodies.

The DSB serves a broad community of users – most free of cost – and others on a cost recovery basis, with users having direct input into the primary fee variables. Users also contribute directly into the service evolution via both an annual consultation process and two industry driven user forums – the Product Committee and Technology Advisory Committee. DSB users have multi-channel access when seeking to create or search for OTC ISIN records containing additional identifiers alongside both input and a range of derived product attributes.

The DSB continues to see material differences between those who create OTC ISIN records and those that consume the data. More than half of all OTC ISIN records have been created by the sell-side and one-third of all OTC ISIN records were created by trading venues (both MTFs and OTFs). As a comparative, trading venues continue to dominate OTC ISIN reporting to the European Securities and Markets Authority (ESMA) Financial Instruments Reference Data System (FIRDS), with two-thirds of all OTC derivative reference data reported.

The DSB facilitates access for a broad spectrum of users, including credit institutions, small brokerages, private wealth management firms, boutique asset managers, large, multi-segment and/or multi-market trading venues, derivatives houses from across the buy and sell-sides and universal-bank style sell-side institutions with multiple business segments within a single group holding structure.

Responses to prior consultations have demonstrated that the DSB has become an integrated part of users' business processes, with the DSB receiving significant interest in providing additional OTC derivative reference data related assistance to industry.

The DSB works to ensure the broad views and needs of the stakeholders lead the direction of development of the service. By working collaboratively, both within the teams at ANNA and the DSB, as well as its stakeholder user base, the DSB has been able to ensure all views are considered. This collaborative approach, as well as running successful teams at ANNA and the DSB, has been instrumental in achieving the smooth running of the DSB so quickly and efficiently.

The consultation in 2020 closed on 1st June 2020, and sought to obtain industry views on a broad range of topics arising from user feedback during the prior 12-month period, and to determine appetite for enhancing the DSB's services within the communal cost recovery ring-fence. Requests for feedback were sent to the DSB's user community, comprising more than 4,000 individuals across more than 470 organizations.

Where industry has approved progress of the DSB proposals put forward in the consultation paper³, all proposals for next steps, assume the DSB will follow its standard governance process for implementation. i.e.

³ <https://www.anna-dsb.com/download/2021-industry-consultation-paper/>

- Where matters pertain to DSB product templates and associated matters, the DSB will provide appropriate analysis to the [Product Committee](#) (PC) to determine prioritization and progress accordingly;
- On matters involving DSB infrastructure, workflow and associated matters, the DSB will provide appropriate analysis to the [Technology Advisory Committee](#) (TAC) to obtain their views to ensure that the DSB remains aligned with market feedback as it progresses these items.

As a reminder, readers seeking information about activities undertaken as a result of prior consultations, can refer to section 4 of the consultation paper published on 30th April 2020⁴.

3 Consultation Timeline

Milestone	Date
Publication of DSB Consultation Paper (CP)	Thu 30 Apr 2020
Webinar ** Register here **	Thu 7 May 2020
Industry feedback on the CP	Fri 1 May - Mon 1 Jun 2020
Final Consultation Report publication	Wed 1 Jul 2020
DSB 2021 draft Access & Usage Agreement (UA) publication	Mon 10 Aug 2020
Deadline for industry feedback on proposed UA changes	Fri 4 Sep 2020
DSB 2021 final UA publication	Fri 18 Sep 2020
User termination deadline	Thu 1 Oct 2020
Annual User fees for 2021 calculated	Mon 5 Oct 2020
2021 User fees published	Wed 7 Oct 2020

⁴ <https://www.anna-dsb.com/download/2021-industry-consultation-paper/>

4 Principles

Below is a table with a brief statement on the five key principles relied on by the DSB in development of the Access and Usage Agreement and fee model.

Principle	Brief Description
Cost Recovery	<p>The DSB will provide all numbering agency services on a cost recovery basis. This means that the revenues must be sufficient to ensure that the numbering agency has the financial viability to meet its continuing obligation to provide these services.</p> <p>Furthermore, the funding model needs to be sustainable, which includes the need to be efficient and reliable.</p>
Unrestricted Data	<p>The DSB intends that no data associated with the definition of an ISIN will have licensing restrictions dictating usage or distribution.</p> <p>If the DSB Product Committee (http://www.anna-web.org/dsb-product-committee/) determines that there is no viable alternative to the use of licensed or restricted data in a product definition, the DSB will review the impact to its Unrestricted Data policy at that time, taking into account the specific products and attributes that are impacted by the incorporation of licensed or restricted data in the product definitions.</p>
Open Access	<p>Access to the DSB archive for consumption of OTC derivative ISINs and associated reference data will be available to all organizations and users.</p>
Payment in Advance	<p>To the extent possible, the DSB will levy fees through annual contracts that require payment in advance.</p> <p>This advance yearly commitment offers the DSB more clarity in aligning fee levels with cost recovery.</p> <p>For the users, it provides improved ability to forecast their costs for utilising ISIN services.</p>
Equal Treatment	<p>As an industry utility, the DSB aims to ensure parity and efficiency in delivery of our service. This includes following standardised processes and procedures for all users of the DSB operating under the cost recovery framework based service.</p> <p>The DSB has a common agreement in place ensuring equal treatment across all users. Any exceptions to the terms are only introduced on the basis that they can be consistently applied across all users without imposing a risk on the service.</p>

5 Response Highlights

This year's consultation paper sought to obtain industry feedback on a total of 7 potential changes to the service, based on user feedback received during the past 12 months. A summary view is presented below, with full details in subsequent sections.

This final report concludes that each proposal put forward received sufficient industry support to proceed. The table below provides a summary of the costs, which remain aligned with information presented in the consultation paper. In addition, feedback on aspects relating to the DSB legal agreement are set out in section 6 of this document.

CATEGORY	TOTAL Qs	Q #	Total Capex (€ k)	Annual Run Cost (€ k)
Functionality	3	Q1	0	0
		Q2	78	0
		Q3	210	131
Data Submission Enhancements	1	Q4	46	-
Service Availability	2	Q5	200	0
		Q6	116	0
User Agreement	1	Q7	0	0
TOTAL⁵	7	-	650	131

In light of the detailed information set out in the consultation paper, and in an effort to further streamline next steps, this paper summarizes industry feedback on each item, reminds readers of the cost estimates proposed in the consultation paper and also sets out the terms of reference that will apply to next steps. This approach is intended to provide users with enhanced transparency, while simultaneously optimizing analysis efforts in 2021, thus delivering improved resource utilization, alongside more general operational benefits.

⁵ All capex costs are amortised over 4 years, in the period 2022-2025. This approach means that in 2021, industry users do not pay the cost of any capitalised analysis. In 2021, such cost is funded by the DSB's financial sustainability margin, with 25% of the cost passed to user fees in each of the years 2022-25. In the event that industry does not wish to progress with implementation of any of the systems related to the analysis, then accountancy standards require the associated capex to be written off in the following year.

6 Consultation Considerations

6.1 FUNCTIONALITY

6.1.1 Q1 – Structured Communication Format to Aid User Automation and Digitization

Summary: The DSB’s current notification and information distribution process is manual and designed for human readable purposes, so information cannot be systematically picked up and applied, thus impeding the pace of data alignment and operational efficiency for users.

The DSB issues on average between two and five notifications a week, on a variety of topics and understands from users that these can be easily missed or sometimes find their way into spam filters, etc. thereby causing adoption challenges for users.

A worked example of the desired change is provided below.

Question 1: Should the DSB introduce a structured communication format to improve users' operational efficiency? This would allow users to easily identify the nature of the notification and assign it to the appropriate internal team in an automated manner.

Industry Responses:

Two respondents did not respond to the question, and all other respondents supported the proposal. One respondent suggested the use of XML formats which combine efficient machine usability with human message readability thereby allowing all DSB users to benefit from the enhancement. Another user noted that although their institution was not currently in a position to leverage the proposed enhancement, the DSB should proceed with the change as it yielded overall benefit to industry.

Cost estimates:

The DSB does not expect to require any additional funding to support this initiative. The question has been posed to industry to make a determination on whether industry concurs with the DSB resources being utilized on this initiative.

TAC Review:

This approach has been presented to and approved by the DSB Technology Advisory Committee, who oversee workflows as part of their scope.

DSB Proposal for Next Steps

In light of industry’s support for this initiative to be taken forward on a business as usual basis, the DSB proposes the following terms of reference.

6.1.1.1 Objective

To allow users to specify the types of DSB notification that they wish to receive in order to allow them to focus on information from the DSB that is useful and relevant to their business area and role.

6.1.1.2 Scope

- The solution is to cover all DSB notifications (system, commercial, product etc.)
- The solution is to be delivered to current DSB users who subscribe to notifications

6.1.1.3 Constraints

- This work will be delivered with BAU resources during 2021

6.1.1.4 Approach

- Gather and define user requirements:
 - a) Includes data format, categorisation, transmission method, display etc.
- Define solution strawman that will include analysis of:
 - a) The generation of a machine-readable data feed (e.g.: RSS)
 - b) The definition of a structured language for the notification (e.g.: XML)
 - c) The use of ISO 20022 as a standard message format
- Present the strawman to TAC and PC for sign off
- Define detailed functionality, technical design and outline project plan
- Implementation of the specified solution

6.1.1.5 Deliverables

- Solution Strawman (Inc. user requirements)
- Detailed Specification (Inc. functionality, technical design and outline project plan)
- System Solution that addresses the objective and user requirements

6.1.2 Q2 – Create a New DSB User Type with “Search Only” API User

Summary: Several DSB users continue to request read-only API access. Typically, these users have a need to obtain OTC ISIN data on a bulk basis and on a same day basis for their internal processing and downstream reporting needs.

The “Search-only API User” would be able to submit up to 2,000 search requests a week and be returned up to 50 results at a time, for a fee set at 50% of the DSB Standard User charge. As with all DSB Users, the “Search-only API User” with search only API functionality would also have access to [DSB end of day files](#) and the [DSB web-interface](#). Any fees earned from such a service, would be used to offset the annual fees payable by existing DSB users.

Question 2: Should the DSB introduce the “Search-only API” type based on the details set out above, in order to enable a greater proportion of industry participants to utilize the DSB’s services in a more operationally efficient and scalable manner? Please note that any fees earned from this service would be used to offset the annual fees payable by existing DSB users.

Industry Responses:

The majority of respondents were supportive of this proposal, including two trade associations, each representing a broad community of members. Respondents did however ask that the DSB closely monitor thresholds so that the service added value to new users, while limiting the impact of potential cannibalization of the existing user base. Respondents also asked that the DSB evaluate the impact of the service after a few years, in order to determine if sufficient demand materialized and the service should continue to be offered.

In addition, some respondents requested information about the number of new users required in order for the additional service to break even. Based on the information set out in the consultation paper, in terms of both proposed fees and cost estimates, and the current DSB Standard User fee⁶, the DSB expects that 4 new users would need to access the “Search only API” service in order for the implementation cost to be recovered.

Where respondents were not in favour of this service being introduced as part of the broader cost recovery framework, it was requested that the cost of delivering any such new service should fall only to those with the specific additional need. In light of majority feedback for the service to be offered within the context of the overall DSB cost recovery framework that is shared across all DSB users, the DSB proposes to proceed with the proposal, and re-evaluate in due course.

Cost estimates:

- a) Capex: £78k

Impact on DSB total costs: €0 in 2021⁷; €19.5k in each year in 2022-25⁸

⁶ <https://www.anna-dsb.com/fees-rules-2020/>

⁷ Capital expenditure in the year it is incurred will be funded by the DSB’s financial sustainability margin and not from additional user fees.

⁸ Capital expenditure is amortized over 4 years, starting from the year after the service goes live. Operating expenditure is included from the year after the service goes live. Before this point, costs are treated as part of the capital expenditure already shown

a) Implementation Phase

The changes would be designed, developed, tested and deployed over a 3.5-month elapsed project which would be scheduled in 2021.

c) Annual Run Cost

There is no anticipated increase in annual run costs in relation to this item.

TAC Review:

This approach has been presented to and approved by the DSB Technology Advisory Committee, who oversee workflows as part of their scope.

DSB Proposal for Next Steps

In light of industry's support for this initiative to be taken forward, the DSB proposes the following terms of reference.

6.1.2.1 Objective

To provide a cost-effective solution for DSB API users who wish to perform searches against the OTC ISIN database in real-time without the ability to create ISINs.

6.1.2.2 Scope

- FIX and ReST API only (although the user would also have GUI Access)

6.1.2.3 Constraints

- Capex of €78K (including financial sustainability margin)
- TAC checkpoint to review analysis before proceeding
- Delivery to be in 2021

6.1.2.4 Approach

- Validate initial (functional and commercial) proposals for the new user type. Including:
 - a) Search limit of 2,000 API search requests a week with a maximum of 50 results per search
 - b) Fee to be set at 50% of the DSB Standard User charge
 - Define and document the changes required to support the introduction of a new user type.
 - a) Including: Connectivity, finance, invoicing process, legal documentation, DSB website
 - Define any system changes required to support the new user type
 - Introduce the new user type – with the above changes
- In addition:**
- The new user type is to be reviewed after 3 years of service, to be triggered in the 4th year. This allows for:
 - a) Alignment with the DSB's amortization policy
 - b) Sufficient user notice period ahead of termination at end of year 4

6.1.2.5 Assumptions

- DSB will calculate a breakeven point assuming that these are additional new users now paying to access the DSB
- It is assumed that there are no material cannibalisation effects within the API user group because of the split between “search only” and other user types

6.1.2.6 Deliverables

- Analysis of changes to existing user levels showing cannibalisation risk
- Detailed procedural change specification (Inc. user onboarding)
- Revised user onboarding document
- Detailed Specification (Inc. functionality, technical design and outline project plan)
- System Solution that addresses the objective and user requirements

6.1.3 Q3 – Provide One-Time Data Snapshots for Download

Summary: New DSB users frequently request a snapshot of data within a specified (but variable) date range of their choosing. Users typically request a snapshot of ISINs with a particular status, or a copy of OTC ISIN records within a specified date range. With new firms continuing to join the DSB, the subject is one of growing importance to new users who noted their desire for this service as a way of mitigating risk by obtaining data from the golden source, via a single snapshot.

The service would be deployed to each of the DSB’s development, test, live and disaster recovery environments, with data stored transmitted to users via a secure channel. The fee for the “DSB Snapshot Service” would be variable and based on the volume of data requested i.e. determined by user driven parameters, and any fees earned from this service would be used to offset the annual fees payable by existing DSB users.

Question 3: Should the DSB introduce a snapshot data provision service within the cost recovery ringfence, with any fees from the provision of such a service used to offset the fees payable by all other DSB users?

Industry Responses:

The majority of respondents, including two major trade associations (each serving a diverse community of members) and firms that would not need to utilize the additional service themselves, were in favour of the DSB proceeding with the DSB data snapshot service.

Respondents also asked that the DSB provide information about the anticipated breakeven point. The DSB will provide such information as part of next steps arising from the subsequent demand generation phase of the initiative. Respondents also asked that the DSB monitor uptake for the snapshot service and terminate the offering if a breakeven point was not reached within a few years of launch date.

The minority of respondents who did not approve of the proposal cited concerns about the impact of the proposed cost in light of uncertain market demand.

Cost estimates:

- a) Capex: €210k
- b) Opex: €131k

Impact on DSB total costs: €65.5k 2021⁹; €184k 2022-25¹⁰; €131k from 2025 onwards

a) Implementation Phase

The changes would be designed, developed, tested and deployed over a 6-month elapsed project which would be scheduled in 2021.

c) Annual Run Cost

There is an anticipated increase in the number of servers and associated storage to support this service. However, there is no additional headcount required to support this service.

TAC Review:

This approach has been presented to and approved by the DSB Technology Advisory Committee, who oversee workflows as part of their scope.

DSB Proposal for Next Steps

In light of industry's support for this initiative to be taken forward, the DSB proposes the following terms of reference.

6.1.3.1 Objective

To provide users with a more efficient method of accessing the DSB records contained in the EOD download files by allowing them to access across a number of days within a single query.

6.1.3.2 Scope

- FIX, ReST and GUI interfaces are to be considered
- EOD File Download data only

6.1.3.3 Constraints

- Capex: €210k (including financial sustainability margin)
- Opex: €131k pa from operational date (including financial sustainability margin) – primarily for anticipated extra infrastructure costs
- TAC to review the analysis and proposed solution
- The changes would be designed, developed, tested and deployed as part of a project which would be scheduled in 2021

⁹ Capital expenditure in the year it is incurred will be funded by the DSB's financial sustainability margin and not from additional user fees.

¹⁰ Capital expenditure is amortized over 4 years, starting from the year after the service goes live. Operating expenditure is included from the year after the service goes live. Before this point, costs are treated as part of the capital expenditure already shown

6.1.3.4 Approach

- Gather and define user requirements. Including:
 - a) What data is required and across what date ranges?
 - b) Is a “limited period” API facility required for non-API users?
 - c) Is a GUI facility required for non-API users?
- Define possible options at a high level
- Present the options to TAC and PC for review and sign off
- Define and document the changes required to support the introduction of a new user type.
Including: Connectivity, finance, invoicing process, legal documentation, DSB website
- Define detailed functionality, technical design and outline project plan for the chosen solution(s)
- Implementation of the specified solution

In addition:

- The new user type is to be reviewed after 3 years of service, to be triggered in the 4th year. This allows for:
 - a) Alignment with the DSB's amortization policy
 - b) Sufficient user notice period ahead of termination at end of year 4

6.1.3.5 Assumptions

- The data accessed via this method will not be enhanced, enriched or amended in any way.
- DSB will calculate a breakeven point - comparing usage volumes required to ensure the fees cover the Capex and Opex costs over the 4-year period

6.1.3.6 Deliverables

- Solution Options (Inc. user requirements)
- Detailed Procedural Changes Specification (Inc. Connectivity, finance, invoicing process, legal documentation, DSB website)
- Detailed Specification (Inc. functionality, technical design and outline project plan)
- System Solution that addresses the objective and user requirements

6.2 DATA QUALITY ENHANCEMENTS

6.2.1 Q4 – OTC Derivative Financial Instrument Short Name (FISN) Review

Summary: With the growing reliance on standardized OTC derivative reference data, the DSB has an opportunity to work with industry to achieve alignment with operational efficiency driven evolving industry practice and enable broader understanding and adoption. An example of this is the growing reliance on use of the OTC instrument short name within users' systems, as a means of more easily identifying pertinent characteristics associated with the OTC CFI code and/or OTC ISIN.

As OTC ISIN adoption extends beyond RTS-23 (increasingly being used for RTS-2, RTS-22, to support internal operational purposes within buy-side and sell-side institutions, etc.), the DSB has fielded a growing number of requests to allow industry to have input into examining whether the existing OTC FISN could be further enhanced to reflect the increasingly operational efficiency and AI driven needs of industry participants.

Question 4: Does industry concur with the proposal to undertake a time-boxed piece of analysis that would seek to confirm a common view on the primary enhancements users wish to undertake, with oversight from industry participants at the DSB Product Committee? To the extent industry is supportive of the analysis effort, feedback consisting of specific ideas for enhancement is welcome.

Industry Responses:

All but one respondent concurred with the proposal above, including two trade associations each serving a diverse community of members. Some respondents supportive of the proposal noted that with the growing reliance on standardized OTC derivative reference data, the DSB has an opportunity to work with industry to achieve alignment with operational efficiency driven evolving industry practice and enable broader understanding and adoption. As the reliance on use of the OTC instrument short name within users' systems is growing as a means of more easily identifying pertinent characteristics associated with the OTC CFI code and/or OTC ISIN, the industry should have an input into examining whether the existing OTC FISN could be further enhanced to reflect the increasingly operational efficiency and AI driven needs of industry participants. Yet others accurately noted that any changes to the FISN itself of course must be coordinated with ISO and the Registration Authority.

Respondents in favour of the proposal also noted the potential benefits within the context of Best Execution where a simplification of the current reporting framework, such standardisation might be beneficial not only to the Best Execution content itself, but could also contribute to diminish the number of discrepancies between descriptions of instrument provided in Table 2 of RTS 27 when comparing against ESMA FIRDS Reference Data and/or DSB databases.

Those respondents not in favour of the proposal noted that they did not see material operational benefits in enhancement and that the current OTC FISN was consistent with the ISO standard.

Cost estimates:

- a) Capex: €46k

Impact on DSB total costs: €0 2021¹¹; €11.6k 2022-25¹²

DSB Proposal for Next Steps

In light of industry's support for this initiative to be taken forward, the DSB proposes the following terms of reference.

6.2.1.1 Objective

To encourage greater adoption of the FISN (ISO 18774) by proposing a new structure for the standard that will make it easier for the "lay person" user community to identify and compare similar OTC derivatives.

6.2.1.2 Scope

- The proposal is to cover only OTC Derivatives currently supported by the DSB

6.2.1.3 Constraints

- Capex: €46k, including financial sustainability margin
- Delivery in 2021

6.2.1.4 Approach

- In 2020, identify preliminary use cases in concert with respondents and other interested stakeholders
- In 2021, as part of more detailed business analysis efforts, DSB to gather and define user requirements:
 - a) What level of granularity is suitable for a FISN?
 - b) What are the key data elements that identify an OTC Derivative at that level?
 - c) How can consistency be maintained across products (and other asset classes)?
- Define the attribute-level details of a restructured FISN
- Present the proposal to PC for sign off and agree next steps

6.2.1.5 Assumptions

- The project will use the ISO 18774 as a basis, but the project has a remit to suggest divergence from that standard if it addresses the core requirements of the project
- The project will ensure that other asset classes (e.g.: ETDs) are taken into consideration with a view to maintaining a level of consistency
- The project will ensure that the data requirements of the UPI are taken into consideration

¹¹ Capital expenditure in the year it is incurred will be funded by the DSB's financial sustainability margin and not from additional user fees.

¹² Capital expenditure is amortized over 4 years, starting from the year after the service goes live. Operating expenditure is included from the year after the service goes live. Before this point, costs are treated as part of the capital expenditure already shown

6.2.1.6 Deliverables

- Detailed FISN restructure proposal:
 - To include ISO 18774 vs proposal gap analysis
 - To include principles of the proposed FISN
 - To include example FISN for all in-scope products
- High-level next steps

6.3 SERVICE AVAILABILITY

6.3.1 Q5 – Multi-Cloud Configuration

Summary: The DSB believes it is appropriate to undertake a risk assessment in 2021 on the current single cloud operations, together with a cost-benefit analysis of a potential move to a multi-cloud architecture.

Question 5: Should the DSB perform a risk assessment on the current single cloud operations, together with a cost-benefit analysis of a potential move to a multi-cloud architecture?

Industry Responses:

The majority of respondents were supportive of the proposal to undertake the assessment together with a cost benefit analysis in 2021. Respondents in favour of the proposal noted their support was in the main, premised on the infrastructure requirements to support the Unique Product Identifier (UPI) alongside the existing CFI, FISN and OTC ISIN. In this context, some respondents asked that the DSB provide further insight into how the cost of this undertaking would be apportioned across each of the OTC ISIN and UPI business lines.

Other respondents in favour of proceeding with the proposal asked that the DSB analysis specify the precise risk(s) based on the use of one cloud provider should be defined and highlight how any proposed multi-cloud strategy could serve as an obvious mitigation. The respondent cited the major cloud providers that they deem to be of sufficient maturity for an enterprise to use, and the varying architectural requirements across each. The respondent also cited their belief that the DSB analysis recognize the ongoing cost of managing a multi-cloud infrastructure, which should not be greater than the risk it is designed to mitigate.

Some respondents in favour of the proposal cited their view that there are multiple aspects to the risk of operating in a single region, such as reliability of communication providers, latency for those customers not in the region, dependency on a single datacentre provider and each should be understood clearly from the beginning. However, any single regional risk can be mitigated with a complete move to cloud and this should be considered alongside a move into additional regional datacentres.

Respondents not in favour of proceeding with this proposal, noted their expectation that the DSB would already provide for the required level of due diligence, within the context of the OTC ISIN infrastructure.

Cost estimates:

- a) Capex: €200k

Impact on DSB total costs: €0k 2021¹³; €50k 2022-25¹⁴

TAC Review:

This approach has been presented to and approved by the DSB Technology Advisory Committee, who oversee workflows as part of their scope. The TAC's approval came with a request for the TAC to be engaged with the analysis work with regular checkpoints throughout 2021.

DSB Proposal for Next Steps

In light of industry's support for this initiative to be taken forward, the DSB proposes the following terms of reference.

6.3.1.1 Objective:

- Review the current approach of a Single Cloud vendor and its impact or not on our wider resilience goals. This is an exploratory piece of analysis work, with no changes required as part of this initial phase.

6.3.1.2 Scope:

- All DSB Infrastructure services hosted in Amazon Web Services

6.3.1.3 Constraints:

- Capex: €200k (including financial sustainability margin)
- Time and the support of a number of cloud vendors

6.3.1.4 Approach:

- Establish TAC subcommittee to review this item
- Review of risks against current infrastructure deployment
- Engagement with no more than 2 additional CSP (Cloud Service Providers) to understand service offerings
- Regular engagement with the TAC
- Document migration approach
- Financial Impact
- Transition Risk
- Review risk position on the basis that a multi-cloud solution was adopted
- Public Review and presentation

¹³ Capital expenditure in the year it is incurred will be funded by the DSB's financial sustainability margin and not from additional user fees.

¹⁴ Capital expenditure is amortized over 4 years, starting from the year after the service goes live. Operating expenditure is included from the year after the service goes live. Before this point, costs are treated as part of the capital expenditure already shown

6.3.1.5 Deliverables:

- A document, endorsed by the TAC, outlining the options available to move to a “multi-cloud” infrastructure deployment

6.3.2 Q6 – Single Active Region Risk Assessment

Summary: The DSB is considering performing a risk assessment of its existing model of global connectivity from a single active geographical region, plus analysis of the costs and benefits of mitigating the identified risks by moving to a multi-region connectivity mode.

Question 6: Should the DSB perform a risk assessment of its existing model of global connectivity from a single active geographical region, plus analysis of the costs and benefits of mitigating the identified risks?

Industry Responses:

The majority of respondents were supportive of the proposal to undertake the assessment together with a cost benefit analysis in 2021. Respondents in favour of the proposal noted their support was in the main, premised on the infrastructure requirements to support the Unique Product Identifier (UPI) alongside the existing CFI, FISN and OTC ISIN. In this context, some respondents asked that the DSB provide further insight into how the cost of this undertaking would be apportioned across each of the OTC ISIN and UPI business lines.

Cost estimates:

a) Capex: €116k

Impact on DSB total costs: €0k 2021¹⁵; €29k 2022-25¹⁶

TAC Review:

This approach has been presented to and approved by the DSB Technology Advisory Committee, who oversee workflows as part of their scope. The TAC’s approval came with a request for the TAC to be engaged with the analysis work with regular checkpoints throughout 2021.

DSB Proposal for Next Steps

In light of industry’s support for this initiative to be taken forward on a, the DSB proposes the following terms of reference..

6.3.2.1 Objective:

- Review the current infrastructure deployment model of having a single active geographic region for DSB service and investigate the option of globally distributing infrastructure. This is an exploratory piece of analysis work, with no changes required as part of this initial phase.

¹⁵ Capital expenditure in the year it is incurred will be funded by the DSB’s financial sustainability margin and not from additional user fees.

¹⁶ Capital expenditure is amortized over 4 years, starting from the year after the service goes live. Operating expenditure is included from the year after the service goes live. Before this point, costs are treated as part of the capital expenditure already shown

6.3.2.2 *Scope:*

- The current and future infrastructure deployment in AWS

6.3.2.3 *Constraints:*

- Time and the support of Amazon Web Services
- AWS available resources (Regions, availability zones)
- Capex: €116k (including financial sustainability margin)

6.3.2.4 *Approach:*

- Establish TAC subcommittee to review this item
- Review of risks against current infrastructure deployment
- Document Options for distributed Infrastructure deployment
- Financial Impact
- Transition Risk
- Review risk position on the basis that a geographically distributed infrastructure was adopted
- Public Review and presentation

6.3.2.5 *Deliverables:*

- A document, endorsed by the TAC, outlining the options available for the geographic deployment on in infrastructure , associated costs and benefits analysis

6.4 USER AGREEMENT

6.4.1 Q7 – DSB Governance Policy Dispute Resolution Mechanism

Summary: In consideration for proposing an appropriate dispute resolution mechanism for the DSB, it is critical that any alternate dispute resolution process does not include aspects where the DSB needs to apply discretion or negotiate terms giving preferential treatment to any individual user. The feedback on this item will dovetail into the annual review of the DSB Access and Usage Agreement scheduled for later in the year.

Question 7: Does industry concur with updating the DSB Disputes and Resolution process to arbitration, referring disputes to the London Court of International Arbitration (LCIA) and incorporating a small claims procedure?

Industry Responses:

On balance, respondents were generally in favour of having a short, binding and transparent small claims procedure as an effective dispute resolution mechanism although, a need for change was questioned given the low number of disputes that have arisen.

As mentioned in the consultation paper, the DSB's role as an industry utility means that it needs to ensure the principle of Equal Treatment and that it does not give beneficial terms to individual users unless these terms can be imposed across the user base without placing a risk on the service. The current dispute and resolution process utilises mediation (Governance Policy paragraphs 4.1 to 4.7) before moving to the English Court litigation process. The requirement to attempt to reach settlement via mediation could result in preferential terms for an individual user, breaching the principle of Equal Treatment. Additionally, the inclusion of mediation within this framework would place an additional cost burden, which in turn would have to be borne by all DSB users. On this basis, the alternate dispute resolution mechanism was considered, and subsequently proposed as part of the consultation process.

A question was also posed as to whether arbitration rule sets for other jurisdictions were considered. The DSB considered two well-known and respected arbitral institutions - [London Court of International Arbitration](#)¹⁷ (LCIA) and the [International Chamber of Commerce](#)¹⁸ (ICC). In order to ensure appropriate governance of the process, the DSB discounted the use of ad-hoc arbitration which does not require an arbitration to proceed under the auspices of an arbitral institution, such as the LCIA or ICC. Of the two arbitral institutions, LCIA and ICC, comparison of key aspects such as flexibility, speed, small claims procedure and costs, indicated that the LCIA as the most cost effective and efficient process for the likely monetary value of cases.

Cost estimates:

There are no additional costs associated with this proposed amendment to the Agreement as the legal costs are included in the 2021 budget related to the Agreement annual review.

DSB Proposal for Next Steps

The DSB will liaise with counsel to prepare a draft version of the Agreement for industry review and feedback in advance of publishing the final Agreement that will come into effect on 1st January 2021. The timeline for the industry review and implementation process is as follows –

- Mon 10 Aug 2020 - DSB 2021 draft Agreement publication
- Fri 4 Sep 2020 - Deadline for industry feedback on proposed Agreement changes
- Fri 18 Sep 2020 - DSB 2021 final Agreement publication & Variation Notice distributed
- Thu 1 Oct 2020 - User termination deadline
- Fri 1 Jan 2021 - Effective date for changes to the Agreement

¹⁷ LCIA - https://www.lcia.org/Dispute_Resolution_Services/LCIA_Arbitration.aspx

¹⁸ ICC - <https://iccwbo.org/dispute-resolution-services/>

7 Appendices

7.1 Appendix 1 - Cost Basis 2021

Annual user fees recover the DSB overhead costs. The total estimated annual overhead upon which the cost-recovery fees were calculated is €10.16mm, which is in line with the amount previously communicated¹⁹. The fee calculation was based on the contracts in force as of 2 December 2019 and the user categories those contracts represent. Excess revenues caused by additional contracts signed after 1 January 2021 will go to defraying user fees for the next contract year.

The tables below show the breakdown of the Estimated Total DSB Cost of €10.16mm on 2 December 2019, following feedback received as part of the industry consultations in 2019 and include a 20% margin for financial sustainability:

Category (Recurring)	Description	Amount
Technology & Operations	Operation of the DSB platform including technical and asset class support	€7,109K
Management	Senior management team including MD, MSP management team and CFO	€975K
Administration	Administrative costs and overheads such as office space, travel and expenses and administrative support functions	€894K
External consultants	External oversight and legal, professional & communication	€555K
Previous Year Operating Expenditure Adjustment	Reflects the budgeted reduction in user fees	-€1,108K
Total		€8,425K

Category (Time-limited)	Description	Amount
Start-up costs	Amortization of start-up costs over the first 4 years	€1,498K
Financing costs	Start-up loan interest costs repaid over 4 years	€240K
Total		€1,738K

¹⁹ <https://www.anna-dsb.com/fee-model-variables/>

7.2 Appendix 2 - Principles for Excess Fee Income Redistribution

The following principles will guide the use of any excess fee income received by the DSB – primarily generated because of late joiners and/ or mid-cycle upgrades:

- 100% of the excess fee income will be passed back to DSB Standard and Power Users
- The mechanism used to address any excess fee income received by the DSB should be simple and transparent

Excess fee income earned will be used to reduce the fees of the DSB for the following year and will form part of the variables set one month before the start of the annual subscription period. The DSB assumes that most users will roll their annual contracts with the utility.

Respondents agreed with the principle of using excess revenue to reduce user fees for the following year. There were additional suggestions around ensuring any excess is minimized through the calculation of initial fees and offsetting on a firm-by-firm basis.

Through the fee model explained in this consultation, the DSB is focused on ensuring that minimal funds are raised although this is balanced against the need for financial stability of a key market utility. Reallocation on a firm-by-firm basis will only be considered fair if the DSB also accounts for the exact amount of data and the number of ISINs being used by each firm. Not only would this analysis be an additional cost, it potentially would also skew the charges against those who 'acted first' to create ISINs that were then used by the broader community. The DSB prefers to keep the return of excess fees simple and reduce the upcoming year's entire cost base.