



Derivatives Service Bureau

Industry Views Sought on Proposed Amendments to
Technology and Risk Assessment Matters

Final Report

1 July 2021

Contents

1	Introduction	3
2	Consultation Timeline	5
3	Principles.....	6
4	Consultation Considerations.....	7
4.1	Q1 – Supporting Enhanced Supplier Risk Assessment Requirements	7
4.2	Q2 – Security Controls: Security Operations Centre.....	7
4.3	Q3 – Technology Controls: Tools	8
4.4	Q4 – Cloud Deployment Maturity.....	9

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 (EU) MiFID II/ MiFIR regulations mandate the use of ISINs to identify certain OTC derivatives, starting 3rd January 2018. These provisions have also been transitioned into the UK’s current regulatory regime. The affected OTC derivatives include those tradeable on an EU/UK trading venue (ToTV) and those with underlying asset(s) tradeable on a EU/UK 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 ISIN, CFI and FISN generated by the DSB is designed to enable users to satisfy obligations under MiFID II and MiFIR (EU and UK transitioned), with the capability of an identification hierarchy to be introduced as required by industry, such as Unique Product Identifier (UPI)² which will be introduced by the DSB in July 2022. Likewise, the CFI codes provided assist with EMIR Level III reporting to offer a single, consistently generated value that can be absorbed by all users of DSB data.

Upholding the ISO principles, including operating on a cost-recovery basis, the implementation of OTC 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 Committee³ and Technology Advisory Committee⁴. DSB users have multi-channel access⁵ 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 facilitates access for a range of organization types such as 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. This consultation requesting feedback to help shape the DSB’s service development has been sent to

¹ As defined in MiFIR

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

³ <https://www.anna-dsb.com/product-committee/>

⁴ <https://www.anna-dsb.com/technology-advisory-committee/>

⁵ <https://www.anna-dsb.com/connectivity/>

the DSB's user community, comprising more than 2,600 individuals across approximately 500 organizations.

At the time of this paper, in excess of 70% of institutions using the service access the DSB free of cost as Registered Users, 16% 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 58% of DSB fees, trading venues contribute 36% with the balance comprised of the buy-side, data vendors and others.

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 FIRDS, with two-thirds of all OTC derivative reference data reported.

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 2022 service provision.

This consultation opened on 30th April 2021 and closed on 31st May 2021, with this final consultation report published on 1st July 2021. The consultation paper 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. The document sought to present information for market participants' review and feedback, with the consultation focused on a range of questions relating to cybersecurity risk assessments, enterprise wide risk monitoring tools and enhanced support for expanding supplier risk assessment questionnaires for the 2022 service provision.

As part of the DSB's commitment on continued operational efficiency, only one OTC ISIN and CFI service related consultation paper was published in 2021, in order to allow user fee estimates to be made available earlier in the calendar year, as requested by clients. In addition, mindful of DSB users' focus on managing their organizational needs while largely continuing to work from home, the 2021 consultation contained a reduced number of questions for consultation, so that industry's time and effort was optimized on more narrowly focused questions. The consultation paper provided an update on items approved by industry at the time of the last consultation, followed by consultation considerations later in the paper.

In addition to seeking responses on specific topics, respondents also had the ability to provide any general comments in the final section of the response form provided at the end of this paper. Each section of the paper listed the question being asked, supported by analytical context and where the proposed next steps had a cost impact, the associated costs had been itemised to allow industry to understand the cost / benefits associated with each proposal and make a determination with appropriate information at hand.

All proposals assumed the DSB would follow its standard governance process for implementation. i.e.

- Where matters pertain to DSB product templates and associated matters, the DSB provides appropriate analysis to the [Product Committee](#) (PC) to determine prioritization and progress accordingly

- On matters involving DSB infrastructure, workflow and associated matters, the DSB provides 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

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 DSB as well as its stakeholder user base, the DSB has been able to ensure all views are considered. In light of the broad spectrum of institutions utilizing the DSB, it was hoped that a representative set of firms would seek to respond to the consultation. Responses were published on the DSB’s website, with respondents able to indicate in the response form if they wished the name of their institution to remain anonymous at the point of publication.

The DSB received a single response to this year’s consultation, with the response having arrived several days after the deadline. As a consequence, the DSB worked with the TAC to determine the most appropriate course of action on the technology related queries posed in the consultation paper. The TAC were advised of the single response received as well as feedback that industry was focused on other matters at this time, such as preparation for the upcoming SEC reporting requirements, the DSB’s UPI fee model consultation, and other items. The TAC’s advice regarding next steps has been provided on questions two through four inclusive.

Please note that the consultation paper addressed provision of the DSB’s existing OTC ISIN and CFI service, and was unrelated to the DSB’s separate and ongoing consultation with respect to the UPI.

2 Consultation Timeline

Milestone	Date
Publication of DSB Consultation Paper (CP)	Fri 30 Apr 2021
Webinar ** Link to Register **	Thu 13 May 2021
Industry feedback on the CP	Fri 30 Apr - Mon 31 May 2021
Final Consultation Report publication	Thu 1 Jul 2021
DSB 2022 draft Access & Usage Agreement (UA) publication	Tue 10 Aug 2021
Deadline for industry feedback on proposed UA changes	Fri 3 Sep 2021
DSB 2022 final UA publication	Fri 17 Sep 2021
User termination deadline	Fri 1 Oct 2021
Annual User fees for 2022 calculated	Mon 4 Oct 2021
2022 User fees published	Wed 6 Oct 2021

3 Principles

The following table provides 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>

4 Consultation Considerations

4.1 Q1 – Supporting Enhanced Supplier Risk Assessment Requirements

Summary: DSB users' had in recent months confirmed that they have expanded the scope, frequency and comprehensiveness of their supplier risk assessment methodology to align with industry standards and best practices, and as a result now require substantively more detailed information on a more frequent basis in order to conduct their reassessment of their suppliers, including the DSB.

The DSB had proposed to add to its skill mix in a cost efficient and streamlined manner, so that it could more readily liaise with customers seeking information to provide the enhanced level of support now expected by clients, across an increasingly broader range of supplier risk assessment topics, while also ensuring that information is made available in a transparent and equitable manner to all DSB users.

The additional resources would have (a) enabled the DSB to start to engage bilaterally with clients about their specific needs, (b) ensured the DSB was sufficiently resourced such that it could review each incoming client query and provide the more detailed responses now being required by DSB fee-paying users' organizations, and (c) ensured that the resulting information could be placed in a centralised location on the DSB's website such that all DSB users could benefit from the additional transparency.

The DSB's streamlined support to facilitate clients' growing supplier risk assessment requirements was aimed at assisting DSB fee-paying-users (who are the only type of DSB user that has cited the need) with enhanced support so that their queries can be addressed in a more consistent and comprehensive manner. The DSB had asked industry whether it should support the enhanced supplier risk assessments within the cost recovery framework, subject to a two-year review period to determine if DSB fee-paying-user requirements have stabilized?

Next Steps: Based on insufficient industry feedback, the DSB will provide additional support on a discretionary basis, outside the core cost recovery framework – with the relevant costs for the additional support to be funded by users on an ad-hoc basis.

4.2 Q2 – Security Controls: Security Operations Centre

Summary: The DSB believed it was appropriate to undertake a detailed analysis on the implementation of a Security Operations Centre, either on-site or contracted to a third-party. The DSB sought feedback on whether it should perform a cost, benefit and risk analysis on the implementation of a Security Operations Centre.

As cyber threats over the course of the pandemic have risen by around 280%, the DSB is at increased risk of cyber threats. Additionally, with cybercriminals using more and more sophisticated hacking software, protection has become an increasingly challenging task with the small team involved.

The emerging industry consensus has been that a Security Operations Centre is vital to maintaining a solid security posture. Utilising Security Information and Event Management (SIEM) software, with the proper configuration, a Security Operations Centre will help monitor and protect against threats. Cybercriminals are active everywhere globally, and a fully staffed, well equipped Security Operations

Centre will help prevent bad actors, both external and internal, from potentially compromising our environments.

This question was discussed with the Technology Advisory Committee (TAC) at the meeting on Wednesday 23rd June 2021, further information on this meeting including the recording of the meeting is available on the [DSB website](#)⁶.

The TAC recognised the significant increase in Cyber-attacks and noted that critical functions are often targeted. A Security Operations Centre was not considered as part of the original service stand-up and therefore, is not factored into the current operating expenditure. The TAC recognised that the introduction of a Security Operations Centre may not prevent all attacks, but would be a significant step forward in reducing risk. On this basis, the TAC were supportive and agreed that analysis should be undertaken on the implementation of a Security Operations Centre for the DSB.

Next Steps: The recommendation from the TAC that analysis should be undertaken on the implementation of a Security Operations Centre will now be presented to the DSB Board. If the DSB Board endorse the TAC's recommendation, then analysis will commence in 2022. As part of the analysis, the DSB will undertake the following tasks in 2022:

- Review the DSB's current monitoring, analysis and reporting structure
- Provide a gap analysis of our existing SIEM infrastructure against what a Security Operations Centre would provide
- Provide analysis on the cost, benefit and risks associated with either:
 - Utilising an in-house Security Operations Centre
 - Utilising a third party to manage the DSB Security Operations Centre

If approved, this analysis will result in an increase in operating expenditure of €155k in 2022.

4.3 Q3 – Technology Controls: Tools

Summary: The DSB proposed to undertake a detailed review of its Enterprise tooling estate, thus increasing the DSB's capability for automation, orchestration and controls both preventative and detective within the service. The DSB sought industry feedback on whether it should perform a review of the current toolset and identify any areas where services could and should be enhanced or improved.

The DSB has worked closely with industry on several themes and a key area of focus has been how the financial services industry manages controls and associated risks. With this in mind, the DSB Technology team had proposed to carry out a detailed review of our enterprise tooling in an effort to understand how we can better mitigate risk by improving visibility and transparency.

The DSB notes that as a general guideline, industry's preference is that controls should be multi-layered and predominantly fall into the following categories:

1. Directive – Written user guidance on what should and should not be done
2. Preventative – Technology controls that restrict what a user can do

⁶ <https://www.anna-dsb.com/technology-advisory-committee/>

3. Detective – Manage and monitor controls 1 & 2 to ensure policy is adhered to

This Consultation question focused on “Preventative – Technology controls that restrict what a user can do” and “*Detective – Manage and monitor controls 1 & 2 to ensure policy is adhered to.*”

This question was discussed with the Technology Advisory Committee (TAC) at the meeting on Wednesday 23rd June 2021, further information on this meeting including the recording of the meeting is available on the [DSB website](#)⁷.

The TAC recommended that the DSB should catalogue the existing tooling and present this information back to the TAC at a future date. This initial exercise would be undertaken via BAU in 2022 and would not incur any additional costs.

Next Steps: The recommendation from the TAC for the DSB to catalogue the existing tooling and present this information back to the TAC at a future date will now be presented to the DSB Board. If the DSB Board endorse the TAC’s recommendation, then the cataloguing of the existing tooling will be added to the BAU workstack for 2022. The findings will then be presented back to the TAC in 2022.

The cataloguing exercise will not require any additional funding in 2022.

4.4 Q4 – Cloud Deployment Maturity

Summary: The DSB proposed to undertake a detailed review of its cloud deployment and the roles and responsibilities of its Service Provision Partner (SPP). This was due to a number of outages experienced, and service improvement opportunities missed by the SPP, which require a more detailed review. The DSB sought industry feedback on whether it should perform a detailed technical review of its cloud infrastructure deployment and the role of its SPP.

A well-managed and securely deployed cloud infrastructure is a significant aspect in ensuring technology controls are managed effectively. Cloud technologies are evolving fast with enhanced functionality and new services arriving daily. As an example, the DSB’s Cloud Infrastructure Service Provider released over 1000 major enhancements and 12 brand new services in 2020. New services are very focused on improving usability, security, performance, scalability and cost efficiencies, all of interest to a lean and growing organisation such as the DSB.

Although the DSB’s SPP manages its day-to-day infrastructure deployment, the SPP had not identified and proactively proposed any improvements to the DSB’s existing deployment in the last 18 months, even though there had been significant enhancements by the SPP.

The DSB proposed a detailed review of how its application infrastructure has been deployed in the SPP’s environment. This was intended to compliment the ongoing DSB multi-cloud review which is focused on the application and operational complexities of operating in a multi-cloud environment.

This question was discussed with the Technology Advisory Committee (TAC) at the meeting on Wednesday 23rd June 2021, further information on this meeting including the recording of the meeting is available on the [DSB website](#)⁷.

⁷ <https://www.anna-dsb.com/technology-advisory-committee/>

The TAC heard about the significant advances that have been made to AWS with both the introduction of new services as well as changes to existing services. Reference was also made to the role of the SPP and the importance of clarifying this position ahead of the current tenure.

The TAC recommended that this item is taken to the DSB Board for inclusion in the 2022 service proposition, noting that there will need to be engagement with the CISO team and that the analysis will need to ensure the DSB's redundant deployments are included in the scope. The DSB will work with one of the TAC's subcommittees during the analysis.

Next Steps: The recommendation from the TAC that the DSB undertake a detailed review of its cloud deployment and the roles and responsibilities of its SPP will now be presented to the DSB Board. If the DSB Board endorse the TAC's recommendation then analysis will commence in 2022 and the DSB will undertake the following tasks:

- Provide a detailed review of our current cloud deployment
- Provide a review of our SPP service in relation to its contractual obligations
- Provide a detailed cost benefit analysis of any proposed change

If approved, this analysis will result in an increase in operating expenditure of €120k in 2022.