



Derivatives Service Bureau

Industry Views Sought on a Security Operations Centre,
Proprietary Index Workflow, Release Process and the Search
Only API User Type Fee

Final Report

30 June 2023

Contents

1	Introduction	3
2	Consultation Timeline	6
3	Principles.....	7
4	Consultation Considerations.....	8
4.1	Q1 – Security Operations Centre	8
4.2	Q2 – Proprietary Index Process.....	9
4.3	Q3 – DSB Release Process	10
4.4	Q4 – Search Only API User Fee	11
4.5	Any other comments	12
4.5.1	Cost synergies	12
4.5.2	2 Character Validation	13
4.5.3	ISIN Service Changes for UPI Adoption	13

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, since 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 an 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 the Unique Product Identifier (UPI)², which will be introduced by the DSB in line with the regulatory reporting mandates of the jurisdictions of major derivatives markets. 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, authorities 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 model 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 650 organizations.

At the time of publishing this paper, around 70% of institutions using the service access the DSB free of cost as Registered Users, 20% Power Users (organizations – including affiliates - with programmatic connectivity), 8% Infrequent Users – including affiliates (GUI connectivity) with Standard Users – including affiliates (GUI connectivity) and Search Only API users making up the remaining balance. Amongst fee paying users, banks and credit institutions contribute towards 52% of DSB fees, trading venues contribute 32% 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 three quarters of all OTC ISIN records have been created by the sell-side and one-fifth 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 a quarter of all OTC derivative reference data reported.

This consultation opened on 28th April 2023 and closed on 31st May 2023, with this final consultation report published on 30th June 2023. The consultation paper sought to obtain industry views on several topics: a Security Operations Centre (SOC), the Proprietary Index Workflow, the Software Release cycle and Search Only API User Type Fee determination.

As part of the DSB's commitment on continued operational efficiency, only one OTC ISIN and CFI service-related consultation paper was published in 2023 to enable user fee estimates to be made available earlier in the calendar year, as requested by clients. The consultation paper provided an update on items approved by industry at previous consultations, 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 the 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. 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 six responses representing eight institutions, with two responses from Trade Associations. All responses were received before the response deadline and apart from the Trade Associations all wished to remain anonymous. The DSB has worked with the TAC to determine the most appropriate course of action on the technology related items posed in the consultation paper. The TAC was advised of the six responses received. The TAC's advice regarding next steps have been provided on questions one, two and three.

2 Consultation Timeline

Milestone	Date
Publication of DSB Consultation Paper (CP)	Fri 28 Apr 2023
Webinar	Tue 9 May 2023
Industry feedback on the CP	Fri 28 Apr - Wed 31 May 2023
Consultation Final Report publication	Fri 30 Jun 2023
User termination notification deadline	Mon 2 Oct 2023
Annual User fees for 2024 calculated	Wed 4 Oct 2023
2024 User fees published	Fri 6 Oct 2023

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 – Security Operations Centre

Summary:

In 2022 the DSB undertook an investigation into what it would take to implement a Security Operations Centre (SOC). As part of this investigation the DSB conducted a Request for Proposal (RFP) reaching out to five vendors who offered managed Security Operations Centre services. Unfortunately, the DSB only received a single response which has prevented the DSB from comparing the quote received.

Given the lack of responses, the DSB has investigated an alternative option to introduce Security Incident Event Management (SIEM) Tooling under the umbrella of the existing MSP support function. The two options presented were:

Option 1 – 3rd Party SOC – An outsourced 24x7 SOC, SIEM and security triage

Option 2 – DSB SOC – Enhance existing 24x7 DSB support team with additional SIEM tooling and security resource

Both options require an increase in resource as the SOC vendor will not provide root cause analysis or remediation on a security incident.

Industry Response and Analysis:

The responses indicated strong support for the introduction of a SOC for the DSB. However, concerns were raised about the impact the proposed costs would have on the user fees.

Cost Estimates:

The costs for Options 1 and 2 are shown below, however, these costs should not be considered final at this time as further investigations are required after the TAC's review.

Option	Description	6 Month Build Cost (CAPEX)*	12 Month Run Cost (OPEX)*
1 - 3rd Party SOC	Outsourced 24x7 SOC, SIEM and security triage	€458.8k	€1,007.5k
2 - DSB SOC	Enhance existing 24 x 7 DSB support team with additional SIEM tooling and security resource	€327.5k	€870k

** Includes Financial Sustainability Margin @ 20%*

TAC Review:

The TAC discussed the consultation feedback and were provided with a view of costs over the next two years. Beyond two years, the DSB has committed to undertake analysis on the synergies and resulting shared costs between the OTC ISIN Service and the UPI Service making it difficult to predict the cost to the OTC ISIN Service beyond two years. It was acknowledged that a SOC would support both services.

The TAC recognised the importance of improving security and recent attacks on European financial organisations were highlighted. However, the TAC noted the concerns raised about the increase in user fees.

The TAC members requested the DSB consider options that would improve the security landscape, moving the DSB towards a future target state, with a smaller cost increase and as a result, minimising the impact on user fees.

DSB Proposal for Next Steps:

The DSB will investigate options to improve the security landscape and present further updates to TAC members for review with the aim for the TAC to provide a recommendation to the DSB Board to feed into the 2024 budget preparation and authorisation cycle.

4.2 Q2 – Proprietary Index Process

Summary:

The DSB's Proprietary Index workflow was developed in collaboration with industry and is designed to allow fee-paying users of the OTC ISIN Service to submit proprietary indices that are to be used as an underlying for OTC derivative instruments.

As part of the DSB's 2019 Industry Consultation process, stakeholders were asked several questions about the Proprietary Index workflow. The DSB took an action to undertake analysis to determine the effort required to automate the process. Having undertaken this analysis in 2020, the DSB concluded that the size of the investment required could not be justified given the infrequent nature of the Proprietary Index submissions into the DSB.

Recently, the DSB had noticed an increase in the number of Proprietary Index submissions being made. The process is still based around email requests which are manually processed by the DSB. As a result, there had been occasions when the requests were impacted by a processing delay. The revisiting of this topic sought industry feedback on the importance of this process to users, and to understand if there were ways the service could be improved.

In tandem, the DSB undertook additional analysis to understand what, if any, workflow improvements could be made under BAU.

Industry Response and Analysis:

Four of the six responses noted that they do not use the Proprietary Index workflow, with one trade association stating that they are not aware of any usage or benefits of ISIN creation from Proprietary Index submissions and therefore would not support the funding of improvements. The response from the other trade association, which was supported by another respondent, mentioned that the current process is sub-optimal and improvements could be made to reduce the risk of Proprietary Index data being incorrect and / or out of date, and to reduce the processing time to create an ISIN with a Proprietary Index as the underlier. The trade association noted that the current workflow is a manual process which increases the chance of user error and suggested an API service would allow for the removal of the manual interaction element. A further suggestion to simplify and speed up the creation

of OTC ISINs and reduce the risk of incorrect or stale data would be to allow users to provide the proprietary index details as part of the OTC ISIN creation process.

One respondent requested the DSB consider allowing a wider range of identifiers for all underlying indices.

The Proprietary Index workflow is used in low volumes (21 unique requests so far in 2023) and automating the Proprietary Index process would require significant investment for a service used by only 4 of 129 fee-paying users. The consultation responses received do not support automation of the process.

However, the DSB's analysis of the current workflow has highlighted four process improvements to alleviate delays. The TAC was presented with the proposed process improvements which could be undertaken as BAU:

- Locking the formatting on the Excel form to ensure that information is correctly submitted by users (which currently leads to delays)
- Addition of internal Excel macros to automate any manual processes
- Review of the existing team configuration to improve turnaround time
- Extending the Tech Support deadline from 12pm to 4pm UTC

Cost Estimates:

There are no cost implications as the proposed process improvements would be undertaken as BAU.

TAC Review:

The TAC members were supportive of the process improvements.

With respect to the question from one respondent on the broader approach to index underliers, the TAC was advised that the DSB is committed to looking at a strategic solution after the launch of the UPI Service into production.

DSB Proposal for Next Steps:

The DSB will implement the process improvements, listed above, under BAU.

With respect to the broader approach to index underliers, the DSB will investigate a strategic solution following the launch of the UPI Service into production.

4.3 Q3 – DSB Release Process

Summary:

In advance of each of the last three releases to the Production Environment, the DSB has received a postponement request, each from an individual user. All three requests were received very close to the production implementation date requiring escalation to the DSB Management Team and the TAC. The DSB has been unable to support the release postponement requests as the postponement would impact other users who have undergone preparations to implement the release as scheduled, as well as the need to keep the DSB's release schedule on track.

The TAC was also asked to review the DSB's notice period for change and were happy for the DSB to remain with the current notice periods.

Industry participants were asked if they supported the proposed improvements to the technical release process to mitigate the recent issues experienced by users.

Industry Responses and Analysis:

The responses received were all supportive of the proposed improvements. A suggestion to introduce a moratorium on last-minute deferral request was proposed by one respondent.

Cost Estimates:

There are no additional costs in relation to this proposal, the proposed improvement activities will be undertaken as BAU.

TAC Review:

The TAC members were supportive of proceeding with the proposed improvements. The TAC discussed the moratorium idea but were not supportive at this time. The TAC will however, continue to monitor the release process and will consider further improvements in the future.

DSB Proposal for Next Steps:

The recommendation from the TAC and industry to undertake improvements to DSB's release process will be delivered via BAU as soon as possible.

4.4 Q4 – Search Only API User Fee

Summary:

The Search Only API User Type was introduced as a new user type in 2022 after industry support in response to the [2020 Industry Consultation](#)⁶ paper with the Search Only API User Fees set at 50% of the Standard User Fee, a Graphical User Interface (GUI) user type.

As API functionality requires more infrastructure and support costs than GUI user types, the question posed to industry was whether these costs should be reflected in the Search Only API User fee.

Industry was asked if they continue to support the original fee positioning for Search Only API User Type of 50% of the Standard User Fee or if this should be revisited to align with similar programmatic functionality, proposed as one-third of a Power User fee and equal to the Standard User fee.

Industry Responses and Analysis:

Three responders supported increasing the Search Only API User Fee to align with similar programmatic functionality, the other respondents did not provide a response. One response proposed an incremental/phased increase for Search Only Users to minimise the impact on these users.

One respondent requested detail on what the overall increase revenue would be and how that would be applied to reduce the fees for other users.

An incremental increase could be applied over two years to minimise the impact on the two Search Only API users. This means that in 2024, the Search Only API User fee would be 75% of the Standard User fee and in 2025, the Search Only API User fee would be the same as the Standard User fee.

⁶ <https://www.anna-dsb.com/download/dsb-2021-consultation-final-report/>

The DSB are unable to provide details of how the increase in revenue of the Search Only API User fee would impact user fees for other users types as the DSB operates on a cost recovery basis where annual user fees are derived using Fee Model Variables⁷ - Total DSB Cost, Number of Infrequent Users, Number of Standard Users, Search Only API users and Number of Power Users fixed no later than the end of the first Working Day in December each year (the 2024 user fees will be calculated on 4 October 2023). Currently, the DSB has two Search Only API Users.

However, as an example, if for 2023 the Search Only API User fee was the same as the Standard User fee, there would have been a 0.22% decrease in the Power User fee.

Cost Estimates:

There are no cost implications.

DSB Proposal for Next Steps:

The recommendation from industry to introduce an incremental increase for Search Only Users will now be presented to the DSB Board. If the DSB Board endorse the recommendation, the DSB Fee Model calculation will be updated in the DSB Charges Policy effective 2024.

4.5 Any other comments

The DSB also received the following general comments from the respondents.

4.5.1 Cost synergies

"We note that the costs and services going forward will be greatly impacted by the parallel operation of the UPI service. Information around synergies and efficiencies related to this would be welcome."

DSB response:

As documented in the [DSB UPI Fee Model Consultation Paper 2 Final Report](#)⁸ published in September 2021, once the UPI service is live and user numbers have stabilised, there will be analysis conducted on the expected scope for synergies and shared costs between the UPI Service and the OTC ISIN Service, and what an appropriate cost allocation policy would be. Furthermore, a review of fees charged to users who subscribe to multiple DSB services will be conducted. These topics will be subject to a further consultation process in 2024.

In the intervening period, the DSB will publish its quarterly updates on user numbers and provide transparency annually on the Estimated Total UPI Cost for the following year.'

The DSB proposes to phase in a gradual increase in costs allocated to the UPI user base from 2023 to 2025 as described below:

2023 Q3-Q4

- UPI users only pay the DSB's incremental operating expenditure cost uplift
- No allocation of UPI build costs in 2022 (working capital is provided by DSB shareholders)
- No allocation of DSB shared costs to UPI users

⁷ Fee Model Variables <https://www.anna-dsb.com/otc-isin-fee-model-variables/>

⁸ <https://www.anna-dsb.com/download/dsb-upi-fee-model-final-report/>

2024

- UPI users only pay the DSB's incremental operating expenditure cost uplift
- Plus the amortisation of UPI capex as per DSB capital expenditure rules
- No allocation of DSB shared costs to UPI users

2025

- UPI users only pay the DSB's incremental operating expenditure cost uplift
- Plus the amortisation of UPI capex as per DSB capital expenditure rules
- Plus a portion of shared costs (shared cost allocation policy to be determined based on Industry Consultation to occur in 2024).

4.5.2 2 Character Validation

"2 Char validation for the entry of underlier instrument ISIN. Further guidance sought from DSB on workaround for 'basket' & 'single name' underlier where a valid underlier ISIN is not available."

DSB response:

The members of the Product Committee were asked to consider the question of whether "OTHER" should be an allowable input value for Underlying ISINs and agreed that "OTHER" was not a required value for the Underlier ID [ISIN] attribute since any instrument that qualifies as a valid asset underlying the relevant OTC derivative products must have an ISIN and so the value of "OTHER" is considered redundant in this case.

4.5.3 ISIN Service Changes for UPI Adoption

"Earliest possible guidance and documentation sought from DSB on the UPI pre-population process for updating the cache we maintain with the UPI."

DSB response:

The DSB presented a paper to the TAC members on the approach to the OTC ISIN/UPI pre-population process during the TAC Industry Consultation meeting on 21 June 2023. The DSB were unable to complete the presentation due to a fire alarm, so the presentation has been shared with the TAC members.

The DSB presented the paper to the PC members at the meeting on Tuesday 27th June 2023.

The presentation is available on the DSB's website and can be accessed [here](#)⁹.

The recording of the TAC's industry consultation meeting, which includes the first 6 slides of the Pre-population presentation can be accessed from the TAC's event list which is located [here](#)¹⁰.

⁹ <https://www.anna-dsb.com/download/otc-isin-pre-population-process/>

¹⁰ <https://www.anna-dsb.com/technology-advisory-committee/>