

February 3, 2017

To: ANNA Derivatives Service Bureau
c/o DSB-PC-Secretariat@etradingsoftware.com

Re: Fee Consultation Paper

From: Bloomberg L.P.

For questions regarding this response, please contact:

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Responses to questions are as follows;

ANNA DSB Fee Model Response Paper

No.	Question	CP Ref	Response
1	<i>Do you agree that there should be no restriction regarding the organization types able to consume the ISINs and their associated reference data at no charge? If not, please explain your reasoning and provide evidence where possible.</i>	3	<p>We do agree with this principle. However we would like to see more detail on what is and is not included in the reference data made available on this basis by the DSB. This is particularly important given that the attributes to be assigned against ISINs are likely to change over time.</p> <p>‘Consume’ does not encompass ‘redistribution and use’, so clarity would be requested on that.</p> <p>Additionally, while this question asks about not differentiating between organizations, the proposals on fees do have fairly complex differentiations between types of organizations and users and charges they will be responsible for.</p>
2	<i>There is a marginal cost associated with registration and onboarding a new organization for access to the DSB. Do you agree that organizations registering with the DSB should not be charged any fee for data access or onboarding? If not, please suggest an alternative approach that is consistent with the principle of ‘reasonable cost’ access to ISINs for OTC derivatives.</i>	4	<p>We would agree with this principle but note that it is not entirely an accurate picture. Organisations which require data access via a FIX link would appear to be charged an upfront fee for such access. This fee is irrespective of whether the organization only wishes to access ISIN data. We would contend that many organisations requiring only to access ISIN data will thus be charged up front. We would therefore support that organisations requiring only to download data are not charged irrespective of whether they connect by FIX, download or web access. Again, it is not clear what actual costs would be attributed to these activities and why.</p>
3	<i>Do you agree with the DSB estimate of 40 for the number of organizations that will want to create ISINs? If not, please explain</i>	4	<p>There is no way of knowing if this figure is accurate or not, but we would expect that this is a considerable underestimate, given that many firms on both buy and sell side may want to create ISINs in</p>

	<i>an alternative estimate and provide evidence to support your answer.</i>		addition to those with a MiFID obligation.
4	<i>Do you agree with the DSB estimate of 50 for the number of organizations that will want to connect to the service via the FIX network? If not, please provide evidence that supports a different estimate.</i>	4	This is again likely to be an underestimate particularly as many registered non-ISIN creators will require an intra-day automated interaction with the DSB to access ISIN data. So conceivably many hundreds of organisations may require such FIX access.
5	<i>Do you agree with using 2m as a predictive estimate for the number of ISINs the DSB expects to create in a 12-month period? If not, please explain why and provide any necessary evidence or examples to support your response.</i>	4	Again this is a very conservative estimate. The numbers will be dramatically impacted if ESMA insists on venues obtaining ISINs for new products prior to trading, and to retaining maturity date and pricing information in the fields required for reference data reporting. Analysis done by ISDA has already shown that if attributes such as price and maturity are included in the ISIN the ratio of ISINs to transactions falls to 1 : 1.5. Even if some of the uncertainties obtaining above fall away, we still think that this is a substantial underestimate. We are also puzzled by the assertion that increased volumes will have no impact on the DSBs costs. It is not at all clear how such an assertion can be made, particularly as the issue of data quality validation is still outstanding, and the resources required to manage data for substantially higher volumes would be reasonably expected to be greater.
6	<i>Given the potential disincentive to be the first requestor to create a given ISIN, do you agree that using the ISIN reporting obligation is a sensible basis for allocating costs (and therefore fees) amongst the regulated entities that have an ISIN reporting obligation? If not, please explain why and suggest an alternative approach and evidence why that is more appropriate.</i>	4	This mechanism seems disproportionately complicated and will lead to confusion in the markets. DSB representatives struggle to explain it now and to attempt to implement such a mechanism will be difficult indeed. The DSB admits that the bulk of ISIN creators will use the FIX Access mechanism for which there is already an upfront charge. The residual ISIN creators using non-FIX access are likely to be the smaller users – what the DSB terms non-regulated. I would expect that trading venues – the so-called Regulated ISIN creators – would mostly use the automated channel. We would therefore suggest that the DSB simply implement a per usage charge for all non-automated interactions. This could be tiered if required to the benefit of larger users. This would keep things simple and avoid upfront charges for these users. We also do not think the disincentive to be the first ISIN creator will be significant amongst this group – given that most of the ISIN creation will occur from

			the FIX connected community who already pay an upfront charge.
7	<i>Do you foresee any challenges with using the number of OTC derivative instruments reported under RTS23 as the mechanism to collect the relevant data to allow the calculation to take place? If not, please explain why and suggest an alternative approach and evidence why that is more appropriate.</i>	4	See the above answer – we don't think it is necessary to perform this calculation.
8	<i>Is there another group of organizations that will interact with the DSB and should be taken into account when constructing the fee model? If so, please describe them, how their usage may differ from that already described, and what their potential impact might be on the service.</i>	4	We would expect that many of the expected registered users will need to interact with the DSB using both the FIX (automated) link and the file download and web services. The DSB should plan for a much wider use of all the access mechanisms by buy and sell side organisations and data providers – as well as those with an ISIN creation obligation.
9	<i>Having read about the proposed fee model in the above section and the various fee models considered in Section 7 below, do you agree that the proposed model offers a fair and equitable approach to fees for the numbering agency function of the DSB? If not, please explain your reasons. If possible, suggest improvements on the proposed model.</i>	6	Please see previous answers in terms of our views on the unnecessary complexity of aspects of the proposal. However the biggest problem is that the numbers quoted in the consultation for costs pertaining to the DSB are the key determinant in what will be paid by users. No detailed attempt has been made to justify the £6m figure for the DSB costs – it appears to be a figure out of thin air. Without knowing how this figure is determined we cannot say whether any of this is fair and equitable. The importance given to cost recovery exhibited by the DSB in the consultation, also casts some doubt over claims that costs are volume insensitive. There seems in reality to be much uncertainty as to what these costs are, and how they will develop over time. Additionally, we would note that cost is highly dependent upon the technical delivery and details that are still pending. We have noted our disagreement in the other consultations on the necessity to use a FIX connection, for example, as the function does not seem to match the medium.
10	<i>Do you think there may be practical difficulties in executing the proposed model? If so, please explain and, if possible, suggest</i>	6	As mentioned in a previous answer the complexity and uncertainty inherent in the regulated ISIN creators fee model will be difficult and costly to administer.

	<i>alternative solutions to these challenges.</i>		
11	<i>What other fee models should the DSB consider as part of its deliberations? Please provide an explanation in the form of the examples provided in this paper and evidence the impact on users where possible.</i>	8	It would be better to simplify the approach, especially for non-automated ISIN creators.
12	<i>What additional effects might the presence of intermediary vendors have on the fee model of the DSB? Please provide examples and evidence where possible.</i>	8	Without more clarity in regards to the technical infrastructure, data quality expectations, and reasoning for different tiers of users, it is difficult to provide an appropriate response to this question.