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ANNA DSB

Via email: DSB-FM-Secretariat@etradingsoftware.com

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ANNA-DSB Fee Model Consultation Paper (comment period ends 6 February 2017)

Dear Sir or Madam,

BVI¹ appreciates very much the ANNA DSB as a means to extend the use of ISINs from the current stage to the range of OTC derivative instruments. Our response can be made public.

General Remarks

We support in general the approach suggested, in particular the license and fee free use of the data associated with an ISIN. The ANNA DSB will help our members

- to fulfill regulatory requirements,
- to streamline the straight through processing across all asset classes,
- to reduce the number of errors in interfacing with the various partners and
- therefore to allow to offer a competitive product.

From a buy-side point of view the pre-trade availability of a globally agreed and standardized set of reference data attached to an identifier such as the ISIN which in turn enables (in a first phase) automation of regulatory reporting as well as (in a second phase) trading, clearing, settlement and collateral management would be a huge step forward for the (OTC) derivative markets. **We urge ANNA to expand - based on the recommendations of ISO SG2 - the ANNA DSB database asap to necessary trading, clearing, settlement and collateral management reference data.** In this way concerns within the industry that the ANNA DSB may not fit for purpose globally could be addressed best. ANNA DSB is too expensive in the long run if it is limited to enabling only automation of EU regulatory reporting. It is most important for our members move to automation based on standardization to have a widely – ideally globally -accepted international identifier and associated reference data without any usage

¹ BVI represents the interests of the German investment fund and asset management industry. Its 98 members manage assets of some EUR 2.8 trillion in UCITS, AIFs and discretionary mandates. As such, BVI is committed to promoting a level playing field for all investors. BVI members manage, directly or indirectly, the investments for 50 million private clients in over 21 million households. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.
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restrictions because of intellectual property rights as is the case with other identifiers in this area, such as the Markit RED code. The openness of the system is key for its success. We recommend to increase the ability and support for entities which are mainly consumer of the Masterfile and creating ISINs in an indirect manner.

Specific Remarks

Q1: 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.

We agree that there should be no restriction on the type of organization using the ISIN and associated data. In line with the FSB identifier principles as laid out in case of LEI (ISO17442) there should not be any licensing and fee requirements. The downstream use of the data uninhibited and free of any intellectual property rights of ANNA DSB and/or ISIN applicants, or other service providers.

Q2: 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.

We agree. The access via web and ftp download should be free of charge. Additional technical services which add value to specific users/applicants could be offered at cost in order not to increase the cost for other users. The overall fee level should go down over time.

Q3: Do you agree with the DSB estimate of 40 for the number of organizations that will want to create ISINs? If not, please explain an alternative estimate and provide evidence to support your answer.

This is a reasonable, still conservative estimate. The estimate should be based on the (current) number of trading venues and other organizations which need to use ISINs under MiFID II.

Q4: 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.

We would assume that only organizations creating ISINs will connect via FIX. About 40 organizations seem to be the more appropriate number for starters.

Q5: 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.

Based on member feedback, 2m ISIN may be too high for the first year. However, we do not have evidence to challenge the 2m ISIN estimate.



Q6: 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.

We assume given the reporting obligation of trading venues and similar organizations under MIFID II the disincentive does not need to be of much of concern. However, to discount the first mover disadvantage a sensible basis for allocating costs (and therefore fees) is to spread them amongst the participating (including data using) regulated entities that have an ISIN reporting obligation.

Q7: 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.

Using the number of RTS23 reported instruments as the cost calculation basis is fine. As we expect the DSB ISIN allocation to become the global derivatives identification standard it may become necessary to look for other data sources, e.g. global trade repositories dealing with EU (EMIR), US (Dodd-Frank), and other national derivative reporting obligations around the globe.

Q8: 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.

The needs of asset owners (and their associations) should be explored in more detail, including insurance companies, pension funds, corporates, endowments who may also report (OTC) derivative transactions under EU (EMIR), US (Dodd-Frank), and other national laws around the globe. Many asset owners, investors and (their) asset managers, and other data collectors will mainly want to connect via web and ftp to the ANNA DSB and download the data in bulk and batch: They may infrequently or in low numbers request ISINs (in a second phase of the ANNA DSB) to support automation based on standardization of their trading, clearing, settlement and collateral management of OTC derivatives. These DSB user groups would likely not use a full-fledged FIX allocation engine with the associated high cost. The FIX engine use for ISIN allocation is more adapted to the frequent, real time allocation needs of trading venues and large sell-side banks.

Q9: 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.

Considering the disparate groups of users and their needs mentioned in answer Q8 there needs to be a flat fee model for low number ISIN allocation “consumers” which is significantly less than the fee for full-fledged ISIN creators.



Q10: Do you think there may be practical difficulties in executing the proposed model? If so, please explain and, if possible, suggest alternative solutions to these challenges.

The suggested model gives the ISIN creators e.g. trading venues and reporting platforms, the difficulty of offering a pricing model based on actual use of the service. It may be helpful to relieve the reporting agent in case the end user wants to opt in one of the fee models could be helpful.

Q11: 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 of the impact on users where possible.

See answer to Q10

Q12: What additional effects might the presence of intermediary vendors have on the fee model of the DSB? Please provide examples and evidence where possible.

See answer on Q10

Yours sincerely,

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