Sapient® Global Markets

Responses to ANNA's DSB Fee Consultation Paper

January 2017

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1 ABOUT SAPIENT GLOBAL MARKETS

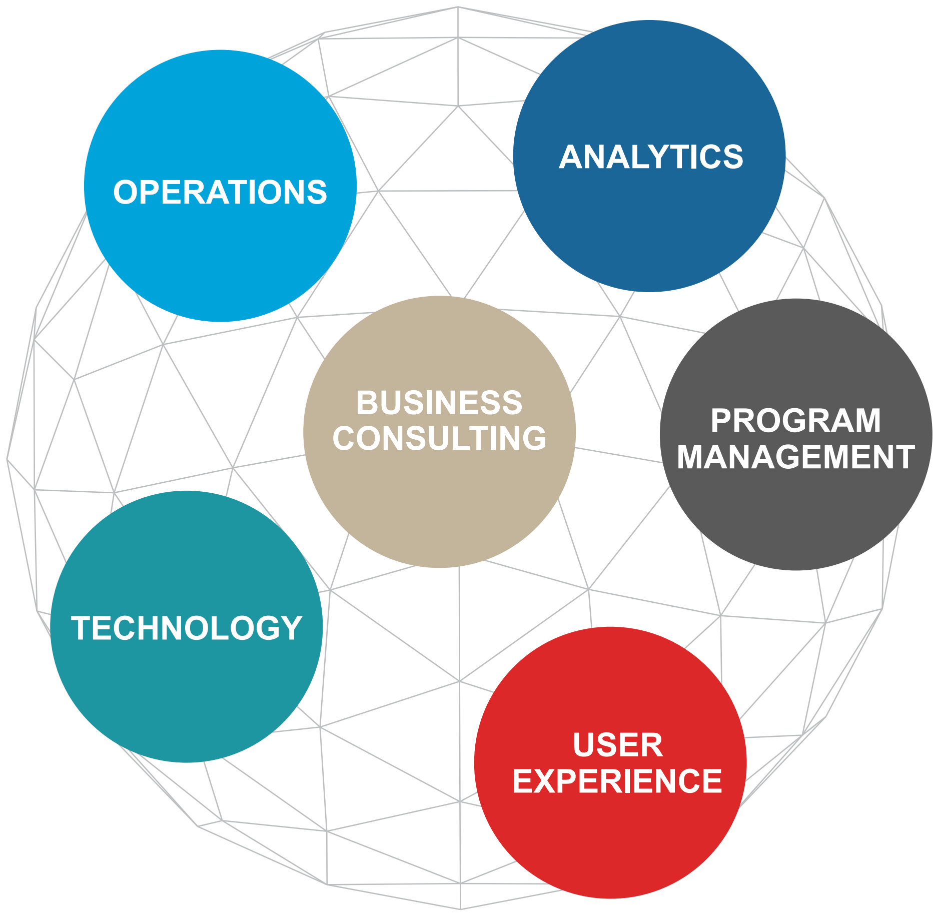
Sapient Global Markets, part of Publicis.Sapient, is a leading provider of services for today's evolving financial and commodity markets. We provide a full range of capabilities to help our clients grow and enhance their business, create robust and transparent infrastructures, manage operating costs, and foster innovation throughout their organizations.

We offer services across Advisory, Analytics, Technology and Process, as well as unique methodologies in program management, technology development and process outsourcing. Sapient Global Markets operates in key financial and commodity centers around the world including Boston, Calgary, Chicago, Dusseldorf, Frankfurt, Houston, London, Los Angeles, Milan, New York, Singapore, Washington DC and Zurich, as well as in large technology development and operations outsourcing centers in Bangalore, Delhi and Noida, India. For more information, visit www.sapientglobalmarkets.com.

Our customers include exchanges, clearinghouses, futures commission merchants (FCMs), asset managers, wealth managers, hedge funds, insurance companies, investment banks, oil and gas companies, utility companies, energy merchants, commodity traders, intermediaries, industry associations, government and regulatory agencies, and national central banks.

We serve:

- 4 of top 10 oil companies http://www.energydigital.com/top10/2734/Top-10-oil-companies-in-the-world
- Top 10 investment banks (https://www.gfmag.com/awards-rankings/best-banks-and-financial-rankings/worlds-best-investment-banks-2014) and http://www.investopedia.com/articles/investing/111114/worlds-top-10-investment-banks.asp
- 7 of the top 10 investment managers (Deutsche Bank, BNP Paribas, Bank of New York, JP Morgan, Fidelity, State Street, Allianz Global Investors) http://citywireglobal.com/news/the-top-10-biggest-asset-managers-in-the-world-revealed/a716086#i=10
- The largest utilities in the world
- The most influential hedge funds
- Numerous clearinghouses and exchanges
- Multiple Government Service Entities (GSEs)
- Several leading regional banks
- Some of the most important ISOs



Representative Capabilities by Segment

We manage practices and centers of excellence to develop points of view, solution frameworks and specific delivery accelerators for the most relevant topics of the day.

Buy-side Investment Process	With deep expertise in asset classes and the investment lifecycle, we help firms create a more efficient business model
Clearing & Collateral	We help firms re-engineer business processes, infrastructure and governance to comply with regulatory reform, and address margin optimization, collateral optimization and collateral transformation
Commodities Trading & Risk Management	We offer a full range of services to help companies improve operational transparency, data management, integrated risk management capabilities and front-to-back scalability
Data Management	We provide data strategy and transformation, improve data governance and quality, enable business intelligence, analytics and master and reference data management
Derivatives Platforms	We help firms improve the technology driving their derivative trading engines
Pipeline and Shipping	We help firms optimize their midstream with a focus on pipeline data management and pipeline commercial operations
Portfolio Accounting	We deliver complete Portfolio Accounting solutions–and provide resources for every step of the way
Regulatory Reporting	We help companies interpret the impact of changing market structures and comply with today's increasingly complex regulatory reporting requirements
Risk and Control	We help organizations assess, design and deploy efficient and effective front-to-back controls within a defined Target Operating Model
Trade Documentation	We help firms create efficiencies and reduce the costs associated with trade documentation
Valuation & Risk	We combine deep market intelligence with the technical expertise needed to help firms solve the most difficult challenges in valuation and risk management

2 ABOUT CMRS- COMPLIANCE MANAGEMENT REPORTING SYSTEM

CMRS™, an award winning platform, is a proven solution that connects to all major trading and risk management systems, collecting and normalizing data from those sources, applying reporting eligibility logic, translating it into the destination message format, and delivering it directly to the Swap Data/Trade Repositories.

CMRS RegReport- RegReport enables you to send data once from your source system (FX, Equity, Commodities etc.) and report it to multiple destinations with clear traceability and audit functionality.

CMRS RegRecon- Available as a stand-alone solution or part of the CMRS platform, RegRecon is built for today's regulatory transactions, running reconciliations based on specific rules and supporting flexible, standard file formats.

CMRS RegInsights- RegInsights leverages a chart-based reporting interface to analyze trade and reporting data captured and generated in CMRS or RegRecon.

3 RESPONSES

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.

Response: - Yes, we agree with the approach that there should be no restriction on the organization types, and believe the following:

Restrictions will:

1. Lead to a secondary market of authorized organizations (i.e., authorized organizations can further sell/share ISIN data at a premium services in the secondary market).
2. The concept of a secondary market or an additional layer may lead to an increase in the cost of transaction reporting.

No Restriction will:

1. Allow ISIN providing entities such as ESMA, ANNA and others to consolidate all the ISINs present in the market (i.e., a no restriction model will enable ISIN smooth ISIN sharing among ISIN providing entities, thus slowly resulting in a nearly complete global list).
2. Streamline the transaction reporting and may encourage market participants to approach a one stop solution (i.e., ANNA).

However, in the case of operational overhead cost increases due to no limit on organization types, ANNA should authorize only selected entities to be an intermediary. In addition, the pricing and fees model, which intermediary will charge, should be regulated by DSB such that intermediary charges nominal fees from the market participant.

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.

Response: - We believe an organization registering with the DSB should be charged a nominal fee as a large number of players are expected to leverage these services. Please refer to our response in Q10 for further details.

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.

Response: - We agree with the methodology explained in the document.

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.

Response: - 50 seems quite low as there could be many ISIN consuming entities such as major banks, other ISIN service providers, reporting hubs and regulators (FCA, BAFIN etc.).

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.

Response: - We disagree with this estimate. As per the latest industry estimate, the number of new ISINs required on a daily basis just for single currency swaps will be in excess of one million. For cross currency swaps, it will be around 48 million.

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.

Response: - We believe this process should be simplified to avoid the overhead required to keep track of parties that requested ISIN creation versus parties consuming the same ISIN. In our opinion, price inclusive of registration fees should consider creating fees and ISIN consumption (volume based) fees accordingly in advance. Please refer to our response to Q11 for further details.

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.

Response: - The proposed approach would be difficult to implement. It would involve year end settlement of ISIN fees based on the number of ISINs (out of the total ISINs) that are created by the regulatory throughout the year. In this regard, we have suggested an approach in our response to Q11.

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 and what their potential impact might be on the service.

Response: - Please provide clarity on the entities that will come under registered users other than ISIN creators and FIX access users. Apart from banks and investment firms, we believe there will be a number of other entities which will connect to ANNA namely:

- Regulators (e.g., FCA)
- Other ISIN creation service providers
- Reporting hubs (entities which provide reporting services)
- ARMs

Q9: Having read about the proposed fee model in the above section and the various fee models considered in Section 7, 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 and, if possible, suggest improvements on the proposed model.

Response: - We do agree with the model proposed. However, we believe that the proposed business model should consider all combinations such as type of entities, purpose of interaction, etc. Please refer to our response to Q11 for further details.

Q10: Do you think the proposed model is practical and executable? If not, please provide your reasons and, if possible, potential solutions to the challenges.

Response: - The consumption of ISINs and related data over the website or via the file download service should be charged nominally (at a lower side) as we are expecting a large number of industry participants to use this service. Thus, this will increase the overhead on the DSB services. As such, the service should be strongly supported by related teams, including:

1. Technical
2. Business team
3. Support

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.

Response: - We believe there are several uncertainties with respect to regulatory rules. Clarity on these rules will come as we move closer to the MiFID II effective date. Considering these parameters, we propose a differentiated fee model wherein the fees will be governed by the following parameters and yet remain flexible to accommodate future dynamics:

- Type of entity (e.g., large investment bank, reporting hub or another ISIN service provider)
- Purpose of connectivity (e.g., creation of ISIN and /or consumption of already created ISINs)
- Volume-based/banded fee approach
- Type of connectivity (FIX vs. web)

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.

Response: - Introducing an intermediary will increase the cost per ISIN. Instead, an open platform should be provided to the subscribed users at nominal fee.