State Street Corporation

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February 6, 2017

Association of National Numbering Agencies
Derivatives Product Committee Secretariat
Via email: DSB-FM-secretariat@etradingsoftware.com

Re: ANNA-DSB Fee Model Consultation Paper

Dear Sir or Madam:

State Street Corporation ("State Street") appreciates the opportunity to comment on the Association of National Numbering Agencies' ("ANNA") Derivatives Service Bureau ("DSB") Product Committee's consultation paper ("consultation paper") on the proposed fee model for recovering the cost of services the DSB intends to provide as a numbering agency for International Securities Identification Number ("ISIN") allocations for over-the-counter ("OTC") derivatives.[1] Specifically, the consultation paper details key principles of the fee model; factors in the cost basis of the DSB; governance aspects of the cost basis of the DSB; the proposed DSB fee model; and fee models that have been considered by the DSB.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management, data and analytics, and investment research and trading. With $28.771 trillion in assets under custody and administration and $2.468 trillion in assets under management as of December 31, 2016, State Street operates in more than 100 geographic markets worldwide. State Street is organized as a United States ("U.S.") bank holding company, with operations conducted through several entities, primarily its wholly-insured depository institution subsidiary, State Street Bank and Trust Company. Our perspective in respect of this consultation paper is broadly informed by our State Street Global Markets ("SSGM") division, which plans to operate two multilateral trading facilities ("MTFs") and one systematic internalizer ("SI").

First, State Street does not endorse any specific fee model, but instead supports the inclusion of certain principles in the final fee model. Specifically, we believe the fee model should be a simple, tiered approach with fixed fees for each tier. Second, we support open access to the DSB archive for consumption of OTC derivative ISINs and associated reference data. Finally, we believe the DSB is underestimating the annual number of ISIN creators, organizations connecting via the FIX network, and the total number of ISINs, which provide the baseline for its proposed fee model.

[1] ANNA- DSB Product Committee - "Fee Model Consultation Paper- 9 January 2017", available at: *http://www.anna-web.org/wp-content/uploads/2017/01/DSB-Fee-Model-CP001.pdf.*

Cost Allocation and Fee Model (Questions 6, 7, 9, 10, 11 and 12)

The consultation paper discusses the DSB's approach to cost allocation and the inherent unfairness to trading venues that create ISINs promptly and the second trading venue which will be able to use this same ISIN for free. To address this unfairness, the DSB is proposing to allocate the cost of ISIN creation across the regulated ISIN creator user base by calculating for each trading venue/systematic internalizer, its share as a percentage of the total universe of OTC derivative instruments that fall within the ISIN generation mandate. This metric will then be used as a weighting per regulated ISIN creator for cost allocation across the user base. The DSB proposes to use the number of OTC derivative instruments reported under Regulatory Technical Standards 23 ("RTS23") to be used as the mechanism to calculate these numbers. The DSB then proposes a fee model which has multiple facets including:

- A value-based fee paid by FIX access organizations for systematic connectivity, which will be used to reduce the cost of ISIN generation for all ISIN creators focusing on entities with the regulatory mandate to create ISINs;
- An annual FIX access fee upfront subscription paid by all users requesting FIX connectivity (*i.e.* regulated ISIN creators, non-regulated ISIN creators, and registered users who are not ISIN creators);
- An annual subscription fee for regulated ISIN creators based on the number of instruments available to trade relative to the total number of instruments tradeable on a European trading venue ("ToTV") plus instruments with underlying asset(s) tradeable on a trading venue ("uToTV");
- A per ISIN basis fee for non-regulated ISIN creators; and
- No fee for ISIN and related data consumption done over the website or via the file download service.

Question 6 asks whether respondents 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, while question 7 asks whether respondents 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. The DSB also asks respondents to provide their thoughts on whether the proposed fee model is a fair and equitable approach (question 9); if there are practical difficulties in executing the proposed model (question 10); what other fee models should be considered (question 11); and what additional effects might the presence of intermediary vendors have on the fee model (question 12).

State Street believes that the proposed fee model is overly complex and allocating costs (and therefore fees) amongst the regulated entities that have an ISIN reporting obligation is unfair and will limit any future expansion of the ISIN usage beyond the Markets in Financial Instruments Directive II / Markets in Financial Instruments Regulation ("MiFID II/MiFIR"). Also, the underlying mechanism of using the number of OTC derivative instruments reported under RTS23 is too cumbersome as it requires firms to devote resources to tracking ISIN creation and will lead to discussions about volume rebates, etc.

Instead, we propose that the DSB adopt a simple, fixed fee, tiered approach for its fee model. The fee model should not distinguish between regulated and non-regulated entities, as proposed in the consultation paper. Instead, there should be separate tiers with each tier consisting of entities with similar characteristics and a fixed fee assigned to each tier. For example, Tier 1 could include all creators (*e.g.* MTFs and SIs), Tier 2 could include entities requiring a FIX connection but not creators (*e.g.* data aggregators), etc. The DSB would assign a fixed fee to each tier in order to recover costs. Additionally, as discussed in more detail below, State Street supports open access and believes that web access to this data should be free. We believe that entities requiring this information more broadly would require FIX or similar connectivity and therefore, would be paying a fee as discussed above.

Open Access, Data Access and Onboarding (Questions 1 and 2)

The consultation paper describes the DSB's intention for there to be open access to the DSB archive for consumption of OTC derivative ISINs and associated reference data. Access to the DSB archive will be free and available to all organizations and users. Additionally, the consultation paper describes how the proposed fee model enables entities in the super set (*e.g.* trading venues, systematic internalizers, buy-side firms, industry organizations and vendors) to interact with the DSB by either retrieving existing ISINs given a set of attributes using the website; retrieving the attributes of a given ISIN using the website; or using the file download service. There will be no user charges for retrieval of an ISIN via the website or when there is a file download of the ISIN data. Question 1 asks whether respondents agree there should be no restriction regarding the organization types able to consume the ISINs and their associated reference data at no charge, while Question 2 asks whether respondents agree that organizations registering with the DSB should not be charged any fee for data access or onboarding.

State Street generally supports open access to data and agrees with the DSB's intention to make the archive of OTC derivative ISINs, along with its associated reference data, open to all consumers. We agree that no fee should be charged for data access or onboarding, as we believe that any entity using this data more broadly (*e.g.* data aggregators) would require FIX or similar connectivity, as using the website or file download service is a manual, time consuming, inefficient endeavor.

In addition, as previously discussed in our response to the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions' ("CPMI-IOSCO's") first consultation on the harmonization of the Unique Product Identifier ("UPI")[2], State Street supports a free and open source utility for identifiers. We believe that access, distribution, redistribution of the identifier (in this case, an ISIN) and the data making up the identifier should be universal and unrestricted by license. Benefits of an open source utility are numerous, including: flexibility and freedom of the open source model for different users to take advantage of the utility; speed of deployment; adherence to standards (interoperability); quality; stability; reliability; transparency; security; auditability; cost; and support and accountability.

ISIN Creators, FIX Access, and Volume Estimates (Questions 3-5)

The consultation paper provides estimates of the number of expected organizations creating ISINs (40); the number of organizations wishing to connect to the DSB service via the FIX network (50); and the number of ISINs the DSB expects to create in a 12-month period (2 million). According to the DSB, the 40 ISIN creators estimate is a "conservative" number as there is a significant difference between the MTFs (estimate is 150), Registered Markets ("RMs") (estimate is 102), Electronic Communication Networks ("ECNs") across main asset classes (estimate is 15), and the number of probable SIs based on major

[2] Available at: *https://www.bis.org/cpmi/publ/comments/d141/statestreet.pdf.*

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investment banks (estimate is 15). The consultation paper estimates only 50 users will opt for FIX access as the DSB expects overlap of this group with ISIN creators who will opt for FIX access plus some large data vendors, and other large investment firms that do not have an ISIN reporting mandate. The DSB's estimate of 2 million ISINs being created annually is based on the assumption that the 15 million ISINs quoted in the RTS23 text is created over a five-year period, and that two-thirds of the ISINs relate to OTC derivatives. Questions 3, 4, and 5 ask whether respondents agree with these estimates.

In general, State Street believes the DSB is underestimating the amount of ISIN creators, organizations connecting via the FIX network, and total number of ISINs to be generated annually. Although the DSB considers these "conservative" estimates for purposes of determining the fee model, State Street believes these numbers should be much higher. As noted in our response to the ANNA-DSB Technology and Operations Consultation Paper[3], State Street believes that firms will have more than a single connection, as global organizations have multiple legal entities and business lines, which will likely require separate connectivity. From a State Street perspective alone, we plan to have three entities (two MTFs and one SI) which will generate ISINs and many more entities that will be required to consume the reference data.

In addition, "conservative" estimates that are too low will not take into account the infrastructure necessary for industry to be ready to operate in time for MiFID II/MiFIR's compliance date of January 2018, nor will it contribute to any expansion beyond MiFID II/ MiFIR. We believe that the DSB should ensure that the necessary infrastructure is in place from the beginning, including sufficient staffing and support (*e.g.* call lines), so MTFs and SIs can perform user acceptance testing and properly onboard.

Conclusion

In conclusion, State Street appreciates the opportunity to comment on the proposed fee model for recovering the cost of services the DSB intends to provide as a numbering agency for ISIN allocations for OTC derivatives. We support a fee model that is a simple, tiered, includes a fixed fee, and does not distinguish between regulated and non-regulated entities.

Please feel free to contact Guy Kirby at gkirby@statestreet.com or Beverley Doherty at bdoherty@statestreet.com should you wish to discuss State Street's submission in further detail.

Sincerely,

Guy Kirby
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[3] Available at: *http://www.anna-web.org/dsb-consultation-paper-techops/.*