



**Derivatives Service Bureau**

Digital Asset Strategy Sub-Committee

**Recommendations for the Classification and  
Identification of Digital Assets**

August 2023

**FINAL**

Version	State	Author	Date	
1	Draft	S. Wiltshire	Feb 2023	Initial Draft
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## CONTENTS

- 1 Introduction ..... 3
  - 1.1 Project Background ..... 3
  - 1.2 Document Purpose..... 3
- 2 Terms Of Reference ..... 3
  - 2.1 Objective ..... 3
  - 2.2 Deliverables ..... 3
  - 2.3 Governance ..... 3
- 3 Recommendations ..... 4
  - 3.1 Deliverable 1 : Definition of Terms..... 4
  - 3.2 Deliverable 2 : Security Tokens ..... 4
  - 3.3 Deliverable 3 : Referential Tokens (Short-Term / Medium-Term) ..... 5
  - 3.4 Deliverable 4 : Referential Tokens (Long-Term)..... 6
- 4 Appendix 1 : Commodity Product Definitions..... 7

## 1 INTRODUCTION

### 1.1 Project Background

In response to a number of industry queries and discussions, members of the PC expressed the view that the PC would be an appropriate forum to take a lead in defining a common approach to some key aspects of digital asset reporting and would be able to the catalyst to help both regulators and industry move forward.

At the PC meeting 14th June 2022, members of the PC agreed to the formation of a Digital Asset Strategy Sub-Committee (DAS-SC) to lead the discussion on how the industry should support digital assets.

In response to this request, the DSB invited participants from the PC membership and wider industry to participate in the proposed forum and, as a result, the DAS-SC was launched as a series of regular fortnightly meetings on 19th July 2022.

Please note that the finalized minutes of the DAS-SC can be found at this address on the DSB website:

<https://www.anna-dsb.com/knowledge-centre/?wpdmc=das-sub-committee-minutes-2021-2023>.

### 1.2 Document Purpose

This document has been published in order to provide regulators and industry with a recommendation for the classification and identification of digital assets.

## 2 TERMS OF REFERENCE

### 2.1 Objective

The overall objective of the DAS-SC is:

*“To provide an industry view on the approach to the assignment of globally consistent and unique UPIs based on a common methodology for the classification and identification of digital assets – focused on (but not limited to) their use as underliers to OTC derivative products.”*

### 2.2 Deliverables

The following deliverables were agreed by members of the DAS-SC and are included in this document:

1. *Agreed definitions for the main classifications of digital asset underliers (i.e.: Security Token, Referential Token)*
2. *A recommendation for the identification and classification of Security Tokens*
3. *A recommendation for the short-term identification and classification of Referential Tokens.*
4. *A recommendation for the long-term identification and classification of Referential Tokens.*

It should be noted that the original deliverables were revised by the DAS-SC in order to reflect the direction of group’s initial discussions.

### 2.3 Governance

- As a sub-committee of the DSB Product Committee (PC), the conclusions of the DAS-SC are to be referred to the PC for review and approval.
- In addition, the DAS-SC has agreed that the documented recommendations of the group are to be shared with the CDIDE with a request for comment.
- Once approved by the PC, the recommendations are to be shared with the ISO 10962 (CFI) Discussion Group (ISO/TC 68/SC 8/MA 5 (Discussions)).

## 3 RECOMMENDATIONS

It should be noted that the focus on the use of digital assets as underliers to OTC derivative products is inherently a focus on identifying such underliers in the regulatory reporting of OTC derivative products, instruments and transactions. As the CFI, UPI and OTC ISIN are the most commonly recognised classification systems used in the regulatory reporting of OTC derivative products, the recommendations are necessarily constrained by the established architecture of those systems, and short- and long-term limitations on changes to those architectures. Therefore, these recommendations need to be read as being 'best-fit-for-purpose' (i.e. regulatory reporting) without prejudice to any other regulatory settings in other circumstances.

### 3.1 Deliverable 1 : Definition of Terms

**DAS-SC Deliverable :** Agreed definitions for the main classifications of digital asset underlier (i.e.: Security Token, Referential Token).<sup>1</sup>

**Definitions :** All recommendations of the DAS-SC are based on the following delineation of the Digital Assets that act as underliers to OTC Derivatives products.

- **Security Token :** A digital asset token that represents an instrument or exhibits the characteristics of an instrument that is classified within the ISO 10962 (CFI) categories of Equity (E), Debt Instrument (D), Collective Investment Vehicle (C), Entitlement (R), Listed Option (O) or Future (F).
- **Referential Token:** A fungible digital asset token that is not classified within the above definition of a Security Token (including Utility Tokens, Stable Coins, Governance Tokens and others).

### 3.2 Deliverable 2 : Security Tokens

**DAS-SC Deliverable :** A recommendation for the identification and classification of Security Tokens.

**Recommendation :** The DAS-SC recommends that :

- Security Tokens should be classified using the ISO 10962 (CFI) category appropriate to the characteristics of the instrument.
- OTC Derivatives with a Security Token underlier should use the OTC ISIN/UPI asset class / product definition related to its ISO 10962 (CFI) code.

**Examples :**

- An on-chain Digital Asset that has the characteristics of a Bond would be classified under ISO 10962 (CFI) as D.B.\*.\*.\*.\*.
- An OTC Option on that Bond would use the Debt Option product definition for the generation of a UPI and/or OTC ISIN and the underlier would be identified using an ISIN (as its primary identifier).

**Notes:**

- In the longer term, it is expected that the reference data for each Security Token's ISIN will include a link to one or more associated DTIs.

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<sup>1</sup> A definition of the term "Digital Asset" will be included as an agenda item in any future iteration of the DAS-SC.

### 3.3 Deliverable 3 : Referential Tokens (Short-Term / Medium-Term)

**DAS-SC Deliverable :** A recommendation for the short-term identification and classification of Referential Tokens.<sup>2</sup>

*The following text assumes no changes to ISO 10962 (CFI) or the product definitions supported by the UPI for OTC derivatives are possible in the short-term but that additions to the UPI enumerated lists can be delivered by the DSB in the medium-term.*

**Recommendation :** In the Short-Term, the DAS-SC recommends that :

- OTC Derivatives with a Referential Token underlier should use the appropriate product definition within the Commodity asset class (swap, option etc.).
- The underlier for these products should be input using “OTHER” as a Commodity Reference Price and in associated attributes (see Appendix I).

In the Medium-Term, the DAS-SC recommends :

- Extending the Commodity Reference Price enumerated list to include (a limited subset of) specific digital assets and to include the DTI of the asset against each item.
- Enhancing the entries displayed in the DSB GUI dropdown with its name/code in order to assist manual entry.

**Examples :**

- **Short-Term :** A Swap on Bitcoin will use the Commodity Swap product definition for the generation of a UPI and/or OTC ISIN and the underlier would be identified using Commodity Reference Price of “OTHER”.
- **Medium-Term :** A Swap on Bitcoin will use the Commodity Swap product definition for the generation of a UPI and/or OTC ISIN and the underlier would be identified using Commodity Reference Price of “4H95J0R2X”. The UPI GUI will display “4H95J0R2X (BTC)” in the Commodity Reference dropdown selection.

**Notes:**

- The DAS-SC discussed the short-term classification of Referential Tokens within ISO 10962 (CFI) but considered this question to be outside remit of the group.
- While the DAS-SC does not have a remit to define timelines for DSB tasks (such as the above), the DAS-SC recommended that the extension of the Commodity Reference Price to include a set of DTIs should be an aim of the DSB in its deployment of the UPI. To this end, the DAS-SC also seeks clarification and confirmation of estimated delivery timelines for this enhancement from the DSB.

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<sup>2</sup> It is not possible to provide any certainty around the migration from medium term to long term solutions since the ISO 10962 (CFI) definitions have yet to be discussed at any level of detail. However, the proposed definition of a new CFI Category for Referential Tokens would imply the definition of new groups within the OTC derivative categories of the CFI standard which would, in turn, result in a new UPI code for products that were previously classified as derivatives based on a “commodity” underlier. The user community would, therefore, be expected to use the new product definitions for the generation of UPIs (based on the new CFI code) – with the previously generated UPIs being accessible on the basis of their UPI.

### 3.4 Deliverable 4 : Referential Tokens (Long-Term)

**DAS-SC Deliverable :** A recommendation for the long-term identification and classification of Referential Tokens.

*The following text assumes that changes to ISO 10962 (CFI) are possible and that changes will need to be reflected in the product definitions supported by the ISIN or UPI.*

**Recommendation :** The DAS-SC recommends that :

- Introducing a new Category within the ISO 10962 (CFI) standard for the classification of Referential Tokens.
- Extending the Swaps (S), Non-Listed and Complex Listed Options (H) and Forwards (J) Categories of ISO 10962 (CFI) to include a separate Group (ie: Asset Class) for Referential Tokens.
- Removing the system limit on the number of Digital Token Identifier (DTI) that can be input as underlier IDs for the generation of UPIs / OTC ISINs.

**Notes:**

- The DAS-SC stressed the need for the regulators to be made aware of the above recommendation at the earliest opportunity to allow them time to assess the wider regulatory implications and to be able to contribute to the industry discussions.
- The DAS-SC expressed the opinion that while the introduction of a new CFI Category for Referential Tokens does not oblige regulators to mandate the transaction reporting trades that fall within the new Category, it does provide them with that option.
- The introduction of a new Group within the OTC Derivative CFI Categories will result in a requirement for updates to the OTC ISIN and UPI product definitions.

## 4 APPENDIX 1 : COMMODITY PRODUCT DEFINITIONS

### Short-Term

The following table illustrates the key attribute values that would be used to request an OTC ISIN for a Forward with a BTC Underlier using the Commodity Forward Non-Standard template – as recommended in Deliverable 2 (short-term). In this example, the Commodity Reference Price, Base Product, Transaction Type and Final Price Type are input with a value of “OTHER” since there is no support for specific Referential Token values.

Example Attributes	Values
Asset Class	Commodity
Instrument Type	Forward
Product	Non-Standard
Underlying Asset Type	Other
Return or Payout Trigger	Forward Price of Underlier; <u>CfD</u>
Delivery Type	Cash ; Physical
Notional Currency	ISO 4217 (eg: USD)
Commodity Reference Price	OTHER
Base Product	OTHER
Sub-Product	
Additional Sub-Product	
Price Multiplier	Numeric
Expiry Date	Date
Transaction Type	OTHR
Final Price Type	OTHR

### Medium-Term

The following table illustrates the key attribute values that would be used to request an OTC ISIN for a Forward with a BTC Underlier using the Commodity Forward Non-Standard template – as recommended in Deliverable 2 (medium-term). In this example, the Commodity Reference Price is set to the DTI for Bitcoin (4H95J0R2X) whereas Base Product, Transaction Type and Final Price Type are input with a value of “OTHER”.

Example Attributes	Values
Asset Class	Commodity
Instrument Type	Forward
Product	Non-Standard
Underlying Asset Type	Other
Return or Payout Trigger	Forward Price of Underlier; <u>CfD</u>
Delivery Type	Cash ; Physical
Notional Currency	ISO 4217 (eg: USD)
Commodity Reference Price	4H95J0R2X
Base Product	OTHER
Sub-Product	
Additional Sub-Product	
Price Multiplier	Numeric
Expiry Date	Date
Transaction Type	OTHR
Final Price Type	OTHR