



Derivatives Service Bureau

Proposed Amendments to the 2019 Fee Model, User
Categories, Functionality, Service Level, Service Availability &
User Agreement

Final Consultation Report

20 August 2018

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1 Introduction

The Association of National Numbering Agencies (“ANNA”) has founded the Derivatives Service Bureau (DSB) for the allocation and maintenance of International Securities Identification Numbers (ISINs) for OTC derivatives.

The allocation of ISINs to these instruments, as well as the provision of access to the ISIN archive and associated reference data, comprise the numbering agency function of the DSB. This function is overseen by ANNA as the Registration Authority for ISINs under contract with the International Organization for Standardization (ISO) through strict rules over business and technical operations, including limiting user fees to cost recovery.

There is discretion regarding how the fees may be structured and applied to meet these rules, and the fee structure is the primary focus of this consultation.

The European Union’s MiFID II/ MiFIR regulations mandate the use of ISINs to identify certain OTC derivatives, starting 3rd January 2018. The affected OTC derivatives include those tradeable on a European trading venue (ToTV) and those with underlying asset(s) tradeable on a European trading venue (uToTV). The reporting obligations for these instruments affect trading venues and Systematic Internalisers (SIs)¹.

The purpose of this document is to present a summary of industry feedback to the second consultation paper in 2018 and present further information for review in the light of those responses. This second paper should be read in conjunction with the original consultation and subsequent responses which are available here <https://www.anna-dsb.com/2019-user-fee-and-user-agreement-consultations/>.

¹ As defined in MiFIR

2 Executive Summary

European legislation MiFID II/ MiFIR, MAR & PRIIPs have specified the use of ISINs for all the instruments in-scope of the regulation, including OTC derivatives tradeable on an EU trading venue or with an underlying tradeable on an EU trading venue. ANNA, after discussions with the industry and ISO, set up the Derivatives Service Bureau (DSB) to assign global, permanent and timely ISINs to OTC derivatives.

The current level of ISIN generated by the DSB is designed to enable users to satisfy their RTS-23 obligations, with additional levels of ISIN able to be created as required by industry.

The DSB completed its second round of industry consultation on the 2019 fee model, user categories, legal agreement, service levels, service availability and functionality on 27th July 2018, with industry responses [published here on the DSB website](#).

The DSB facilitates access for a broad spectrum of users, including credit institutions, small brokerages, private wealth management firms, boutique asset managers, large, multi-segment and/or multi-market trading venues, derivatives houses from across the buy and sell-sides and universal-bank style sell-side institutions with multiple business segments within a single group holding structure.

The first consultation sought to obtain industry views on a broad range of topics arising from user feedback during the prior 12-month period, while the second consultation summarized industry responses and set out some further information, including next steps. This report aims to summarize both the feedback received in response to the second consultation and also account for industry guidance received as part of the second Technology Advisory Committee meeting held on 9th August 2018, a recording of which is [available here](#).

Consultation questions were shared with all 373 organizations comprising the DSB's user community, alongside subscribers to DSB updates, various trade associations and other interested parties. The DSB's user community is comprised of 70% Registered Users (free service), 21% Power Users (organizations with programmatic connectivity), 6% Infrequent Users (GUI connectivity) and 3% Standard Users (GUI connectivity). Amongst fee paying users; banks and credit institutions contribute towards 50% of DSB fees, trading venues contribute 35% with the balance comprised of the buy-side, data vendors and others.

The DSB received 15 responses from 19 entities in response to the second consultation and 16 responses, representing a total of 20 institutions in response to the first consultation. In both instances, heavy representation was made by the fee-paying users in the Power User (i.e. programmatic user) segment. The second consultation drew responses from a total of four trade associations – the BVI, EFAMA, the EVIA and ISDA.

Respondents included trading venues, trade associations, data vendors, buy-side and sell-side institutions. It was notable that where members of various trade associations independently responded to the DSB consultation, many requested that their responses be kept anonymous. The

DSB has honoured these requests in line with standard practice while noting the type of institution at the header of each such response.

Responses continued to show some divergence in the needs of the differing constituencies served by the DSB - with (i) Systematic Internalisers seeking an expansion of DSB product coverage and ISIN hierarchies whilst Trading Venues (with some exceptions) not seeing a need for further expansion of products or services.

Common themes across many responses included requests for (a) earlier engagement in the budgetary cycle, (b) broader participation in the DSB's governance framework and (c) simplification of the legal agreement structure for firms operating multiple entities. Owing to industry feedback, the DSB undertakes to review alignment of the DSB's fee model cycle with the industry budgetary processes in the course of 2019.

As a reminder, the DSB's consultation and publication schedule for 2018 is as follows:

Date	Milestone	Status
Fri 18-May-2018	DSB Webinar on 2019 Fee Model, User Agreement principles (first consultation)	Complete
Wed 13-Jun-2018	Deadline for industry feedback on presentation deck from 19 May 2018	Complete
Thu 28-Jun-2018	Publication of second DSB consultation	Complete
Tue 03-Jul-2018	Second DSB webinar on Fee Model & User Agreement Consultation	Complete
Fri 27-Jul-2018	Deadline for industry feedback on second consultation from 28 June 2018	Complete
Mon 20-Aug-2018	Publication final report following second consultation + draft 2019 user agreement	Complete
Sun 20-Sep-2018	Publication of finalised User Agreement	
Wed 05-Dec-2018	Finalised 2019 costs + per user fees + # of users (per 2018 Charges Policy)	

2.1 Principles

Below is a table with a brief statement on the four key principles relied on by the DSB in development of the fee model.

Principle	Brief Description
Cost Recovery	<p>The DSB provides numbering agency services on a cost recovery basis.</p> <p>From the DSB's perspective, this means that the revenues must be sufficient to ensure that the numbering agency has the financial viability to meet its continuing obligation to provide these services. From the user perspective, it means that the payment for these services does not profit the owners of the utility beyond its maintenance as a financially viable entity.</p> <p>Furthermore, the funding model needs to be sustainable, which includes the need to be efficient and reliable.</p>
Unrestricted Data	<p>The DSB intends that no data associated with the definition of an ISIN will have licensing restrictions dictating usage or distribution.</p> <p>If the DSB Product Committee (http://www.anna-web.org/dsb-product-committee/) determines that there is no viable alternative to the use of licensed or restricted data in a product definition, the DSB will review the impact to its Unrestricted Data policy at that time, taking into account the specific products and attributes that are impacted by the incorporation of licensed or restricted data in the product definitions.</p>
Open Access	<p>Access to the DSB archive for consumption of OTC derivative ISINs and associated reference data is available to all organizations and users.</p>
Payment in Advance	<p>To the extent possible, the DSB levies fees through annual contracts that require payment in advance.</p> <p>This advance yearly commitment offers the DSB more clarity in aligning fee levels with cost recovery.</p> <p>For the users, it provides improved ability to forecast their costs for utilising ISIN services</p>

2.2 Response Highlights

The responses received by the DSB highlighted that industry was looking for an expanded [Product Committee](#) (PC) as part of the next iteration of their work, was happy to support (i) the creation of backwardly compatible enumerations within existing DSB templates so long as the DSB worked with the PC and Technical Advisory Committee in the design and implementation of the changes and (ii) expansion of support hours to ensure that the DSB was not down during public holidays outside of weekends. It was also notable that although acknowledging the diversity of the constituent base, only a very limited alternative set was proposed to allow the DSB to offer larger users a cost-efficient fee model that did not unfairly penalize smaller users.

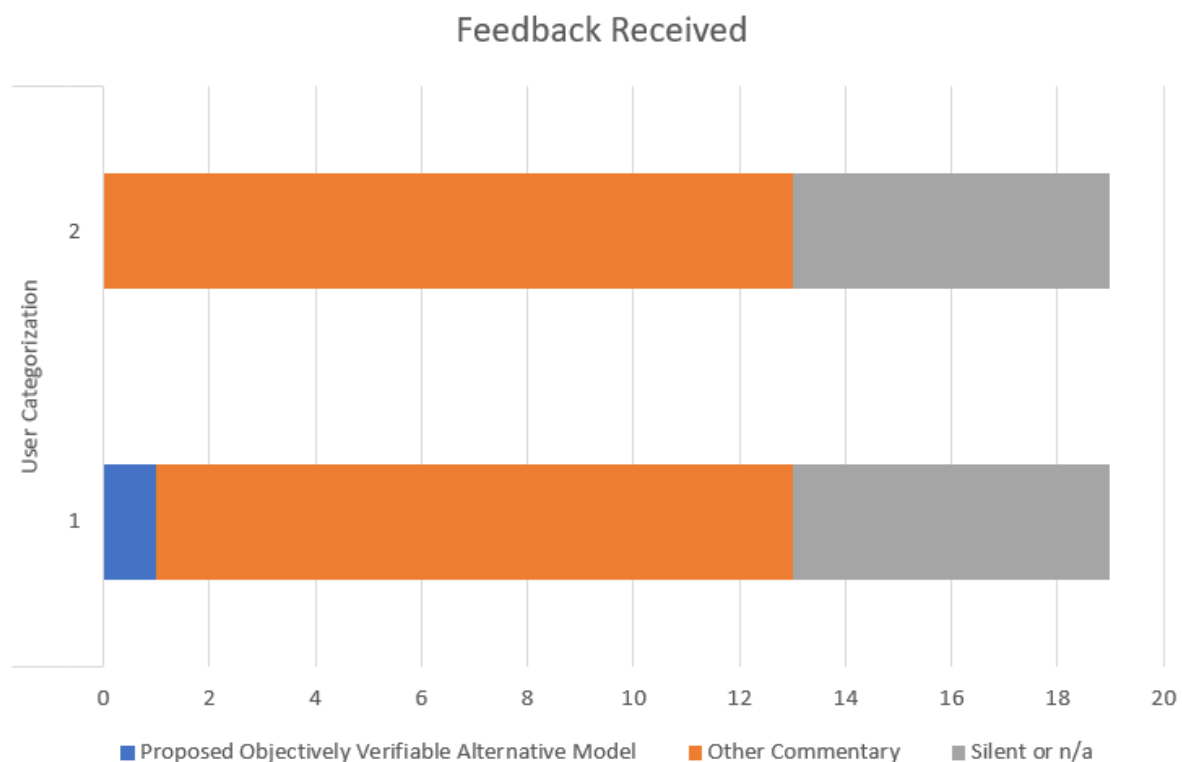
On matters involving DSB products and the accompanying roadmap, the DSB will work with the PC to obtain detailed feedback on items such as dynamic enumeration amendments, etc. and on matters pertaining to DSB infrastructure, connectivity and disaster recovery, the DSB is working work with the [TAC](#). This approach ensures that the DSB remains aligned with market feedback as it progresses its 2019 roadmap.

2.2.1 User Categorization and Fees:

Synopsis of CP2 questions to industry and responses received:

Q1. Specific and objectively verifiable fee model proposed as an alternative to the segment MIC proposal set out by the DSB?

Q2. Specific and objectively verifiable alternative models proposed to cater for multi-faceted, complex organization structures in a way that does not penalize smaller users?



General consensus that:

- Users should continue to pay based on their utilization of the DSB's services and infrastructure
- Status quo would be preferable to application of a segment level Market Identifier Code (MIC) based fee model, albeit that one proposal suggested that all MiFID II licenced entities should be required to pay DSB fees, as a form of tariff, irrespective of their need for or consumption of OTC derivative ISIN data. With respect to this proposal, whilst the DSB does accept it is a utility servicing a broad range of users, it is not in a position or capable of imposing a tariff on all MiFID II licenced entities without explicit authorisation from supervisory authorities
- The fee model should continue to be based on total message impact to the DSB, instead of a move towards purely ISIN creation-based metrics
- Users would like to see the DSB evolve towards a more data driven fee model, albeit that only one participant was able to propose an alternative fee model that would be applicable to large buy-side and sell-side Power Users only

It is important to note that the current fee model is designed to ensure that new and smaller market participants can reasonably access the services they need.

Other commentary included:

- Provision of a cap through availability of a group agreement, albeit that the DSB would have to work with industry to identify and agree a threshold by which an objective cap could be identified
- A proposal to revisit the existing user categories, however CP1 feedback clearly indicated that users on balance did not wish to see any revisions to existing user categories and thresholds
- Requests to retain the current terms for the Infrequent User category to allow smaller participants to create ISINs where required
- Requests to amend the DSB fee model to one that relies on a combination of fixed and variable costs, such that larger users paid a lower per message fee than smaller users
- Some respondents requested additional details about the DSB's costs accompanied by other financial and audit details to provide fee paying institutions with greater transparency
- There also appeared to be some confusion about the types of institutions creating and requesting ISINs. It is thus worth highlighting that a range of institution sizes create ISINs and not just larger ones or those of a specific firm type, thus necessitating the DSB's aim of parity and equality for all users in a given category. For more details on ISIN creation and other related statistics, the DSB provides a [Monthly Metric Review](#) on our website

DSB Decision:

- a) Retain the current user categories to reflect general feedback across both consultations
- b)

- c) Work with industry in 2019 to review and agree the way forward
 - i. To determine an appropriate fee model, including timelines for the annual fee review cycle, such that both simple and multi-faceted organizations could use a single model to predict expected fees
 - ii. To review the user agreement to allow for users to more easily paper with the DSB, such that a single agreement could be used across multiple user categories
- d) As noted earlier in this document, the DSB will review alignment of the its fee revision cycle with the industry budgetary processes in the course of 2019

As set out in CP1, the DSB will also:

- publish audited financial accounts following the DSB’s first full year of operation
- make available the ISAE3402 report of the third-party assurance audit to users once completed as required by the DSB’s governance model

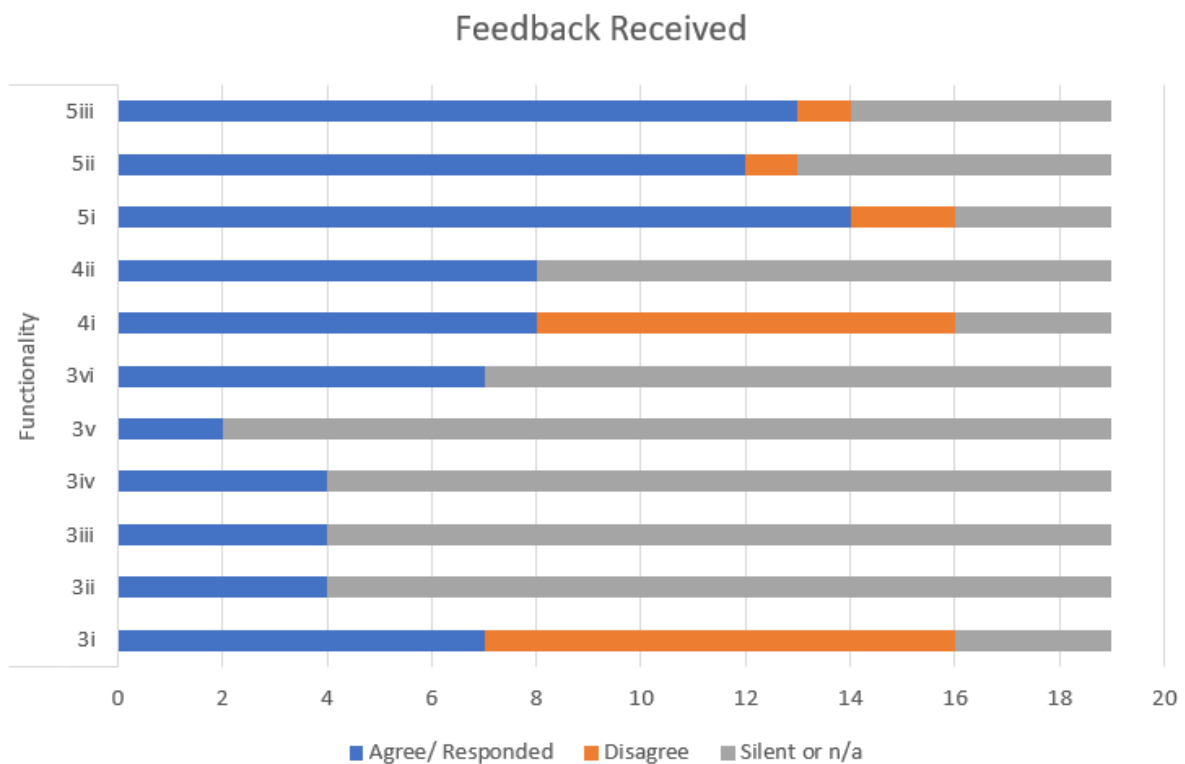
2.2.2 Functionality:

Synopsis of CP2 questions to industry and responses received:

Q3. Do you want the DSB to create a User Forum (and supporting items)?

Q4. Should the DSB proceed with dynamic enumerations (and supporting items)?

Q5. Is the proposed monthly meta-data appropriate (and supporting items)?



General consensus that:

- A user forum would not benefit industry at this time given that the PC and TAC are still evolving, and a clear need for such a forum was not seen at this time
- Dynamic enumerations which were backwardly compatible should be introduced, in consultation with both the PC and the TAC and in a manner that provides industry with sufficient notice
- Some form of monthly, downloadable, machine-readable, meta-data should be provided

Other commentary included:

- Requests for the revised PC framework (effective late Q4 2018) to allow for the participation of trade associations, either as direct contributors or as specialists on asset class specific subcommittees as these are required. This was noted by both paying and registered users who each sought PC representation for differing reasons
- Requests for the DSB's product templates to be applicable to a broader set of use cases, granularities and business uses
- Commentary indicating that a majority comprising a mix of sell-side, trading venues and vendors agreed with the proposal to enhance the product template change process, subject to caveats; with a minority comprising of EVIA and its members in disagreement due to cost impact. This approach was subsequently reviewed and agreed by the TAC on 9 August.
- Commentary noting that a majority comprising a mix of sell-side, buy-side, trading venues and vendors agreed with the proposal to provide ISIN analytics, subject to caveats; with a minority comprising of EVIA and one sell-side firm in disagreement due to lack of relevance of the data

DSB Decision:

- a) No user forum to be created at this time, with continued focus on the PC and TAC
- b) Proceed with the facilitation of dynamic enumerations on the following basis:
 - a. Revised template designs to be backwardly compatible so that users can utilise the updated enumerations when their own production cycles allow
 - b. Specifications for the revised template designs to be reviewed by both PC and TAC
 - c. More detailed cost figures to be provided, describing the incremental work and benefits
 - d. Build cost: €500K - €750K depending on the implementation details, amortized over a 4-year period
 - e. Run cost: No impact
 - f. Total cost impact: increase of €125K - €187.5K pa time-limited to 4 years, equating to a 1.4% - 2.0% increase from 2018 cost base for this duration
- c) Proceed with the provision of the meta-data specified below in a regularly scheduled, downloadable, anonymized format

- i. # of ISIN creates per product template
- ii. # of ISIN retrievals per product template (where ISIN is supplied)
- iii. # of ISIN searches across all product templates (search by metadata)
- iv. # of ISIN creates per user fee category
- v. # of ISIN retrievals per user fee category (where ISIN is supplied)
- vi. # of ISIN searches per user fee category (search by metadata)
- vii. # of ISINs submitted to FIRDS per product template

The DSB expectation is that such analytics can be provided at no incremental build or run cost, with the information placed on the DSB web-site once a month, for user download.

- d) Detailed feedback on items (b) and (c) above is provided as part of the second TAC presentation (slides 10 through 13), [available here](#)

2.2.3 Service Levels:

Synopsis of CP2 questions to industry and responses received:

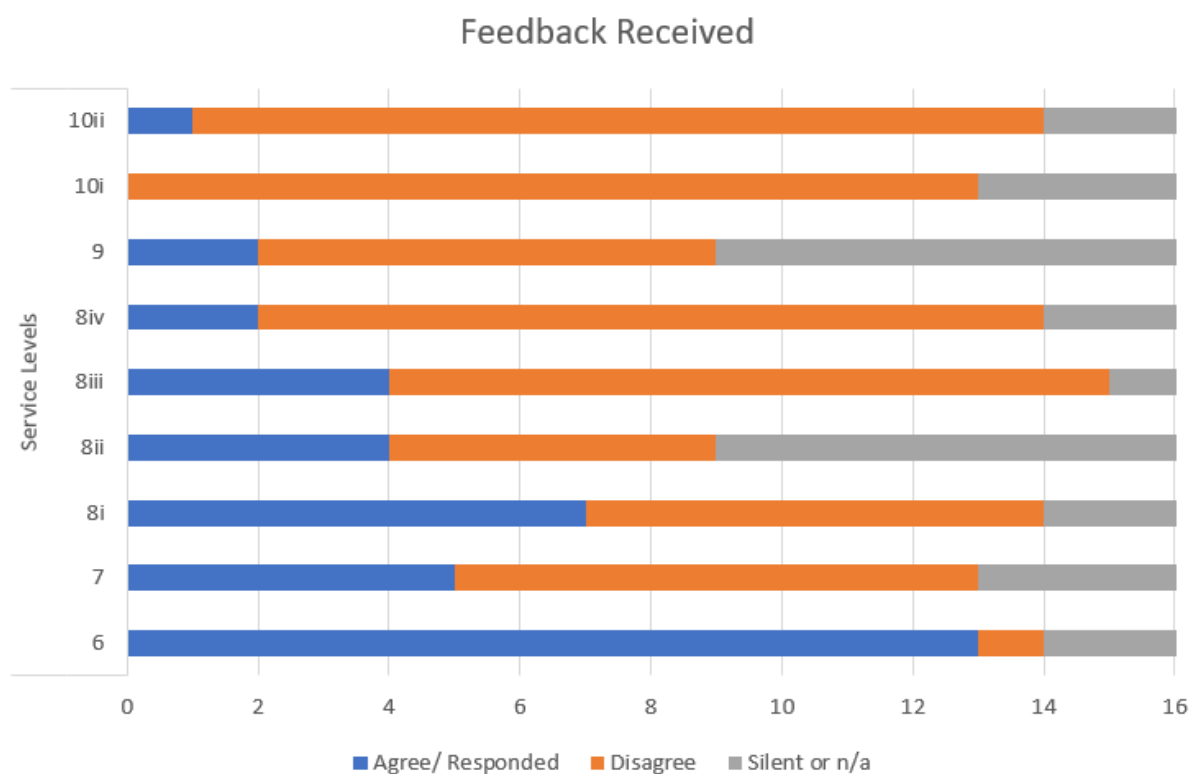
Q6. Should the DSB expand industry representation at the PC?

Q7. Which industry working groups should the DSB liaise with?

Q8. What customer support models should the DSB implement for technical and product matters (and accompanying items)?

Q9. Should the DSB expand the latency metrics that form part of the current User Agreement?

Q10. Should the DSB implement changes to the throughput levels in the current User Agreement (and accompanying items)?



General consensus that:

- The next iteration of the DSB PC should allow for representation from trade associations, with access to specialist bodies where applicable for specific asset classes
- The DSB did not need to step up engagement with major trade associations and or other relevant industry working groups, with reliance on information received directly from members, except for a single firm who believed the DSB needed improved industry integration
- The DSB should increase support coverage subject to the caveats set out in slides 15 and 16 of the second TAC presentation, [available here](#)
- The DSB should not provide access to telephone-based support for technical and product matters within the core cost recovery framework
- The DSB should provide the proposed latency metrics on the DSB website

- The DSB should not make any changes to the current Acceptable Use throughput caps

Other commentary included:

- the remit of the PC being expanded to include commercial matters, expansion of the DSB's industry role to allow focus on international identifiers that may serve additional business uses, the creation of asset class specific subcommittees where required, the ability to the need for existing service levels should change, expansion of the PC to include custodians and a note that changes to the PC were not required by the EVIA or its members
- concern that DSB industry engagement with industry working groups would expand cost (including concerns from various trade associations themselves) and thus increased reliance was to be placed on user proactivity
- Detailed feedback on questions 8 through 10 is provided as part of the second TAC presentation (slides 14 through 24), [available here](#)

DSB Decision:

- a) Investigate expansion of the PC as part of the upcoming framework review ahead of the next PC group being convened in late Q4 2018
- b) No further industry outreach to be conducted by the DSB, save for reactively in response to user queries
- c) The second TAC meeting approved that the DSB proceed with increased support coverage in accordance with the following criteria:
 - i. Remain operational across all holidays (0.2 FTE)
 - ii. Increase availability hours from 24x6 to 24x6.5 (0.6 FTE)
 - iii. Improve email response times for Power Users (0.2 FTE support + 0.5 FTE product specialist – reduced from original proposal)
 - iv. Instigate on call rota for technical support during unavailability hours (0.5 FTE)
 - v. Move to a monthly release schedule for all BAU functionality with the ultimate aim of quarterly release cycles (no FTE impact)
 - vi. Publish monthly support statistics onto DSB website from 2019, with an additional snapshot publication for 2018 (no FTE impact)
 - vii. Review resource needs in Q2 2019, taking into consideration the support statistics after SI regime implementation (FTE impact TBC post review)

The anticipated costs to support this effort are:

- Build cost: No impact
- Run cost: €382K pa
- Total cost impact: an increase in annualised fees of €382K pa, equating to a 4.2% increase from 2018 cost base

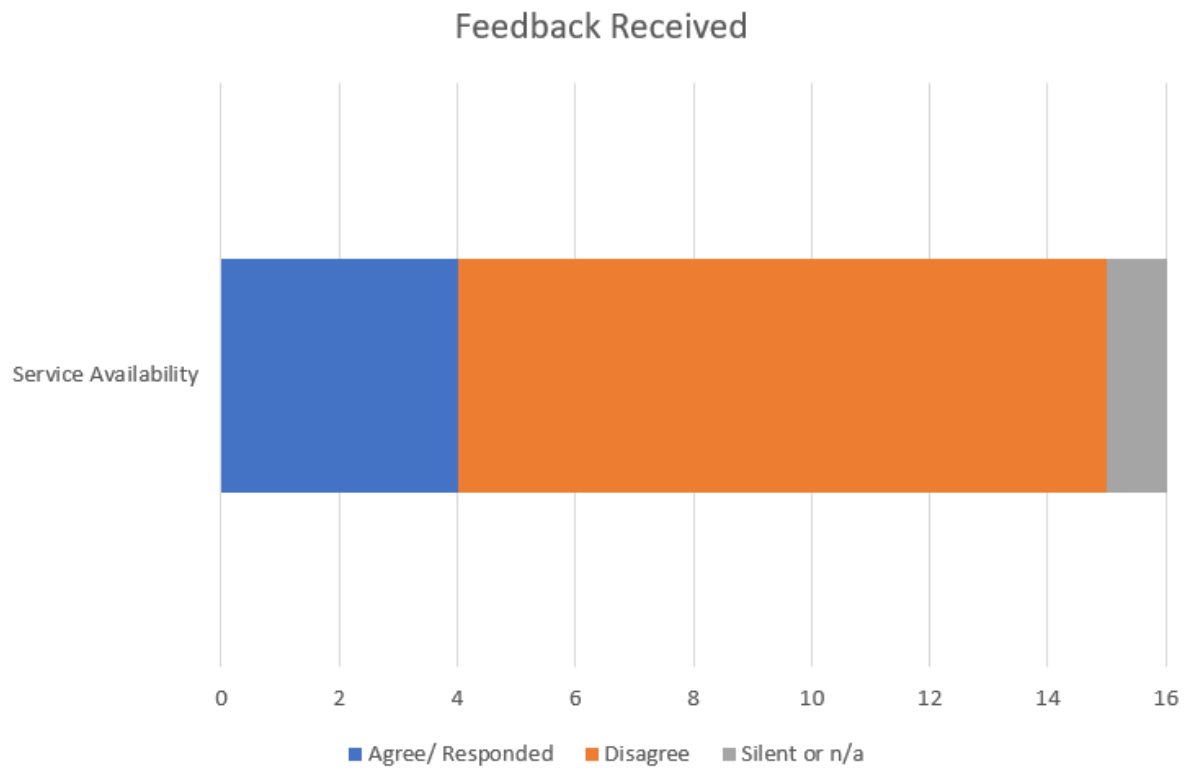
Implementation of increased support coverage will be effective from 1st January 2019.

- d) The DSB will perform further analysis on the requirements for telephone support on each of technical and product matters. If implemented, the service will be optional and outside the cost recovery ring-fence. There is no anticipated build or run cost impact within the core cost recovery framework
- e) The second TAC meeting approved the DSB to move forward with the publication of additional latency metrics in accordance with the following criteria:
 - i. 500ms latency for 99% of workflows related to ISIN Record retrieval
 - ii. 1,000ms latency for 99% of workflows related to ISIN Create Requests
 - iii. 5,000ms latency for 99% of workflows related to ISIN Search (by metadata)
 - iv. The DSB does not anticipate any impact on build or run costs
- f) The DSB will not amend current Acceptable Use throughput caps as set out in the DSB legal documentation.
- g) Detailed feedback on items (c), (d), (e) and (f) above is provided as part of the second TAC presentation (slides 14 through 24), [available here](#)

2.2.4 Service Resiliency:

Synopsis of CP2 questions to industry and responses received:

Q11. Should the DSB implement a multiple primary-based Disaster Recovery architecture?



General consensus and DSB Decision that:

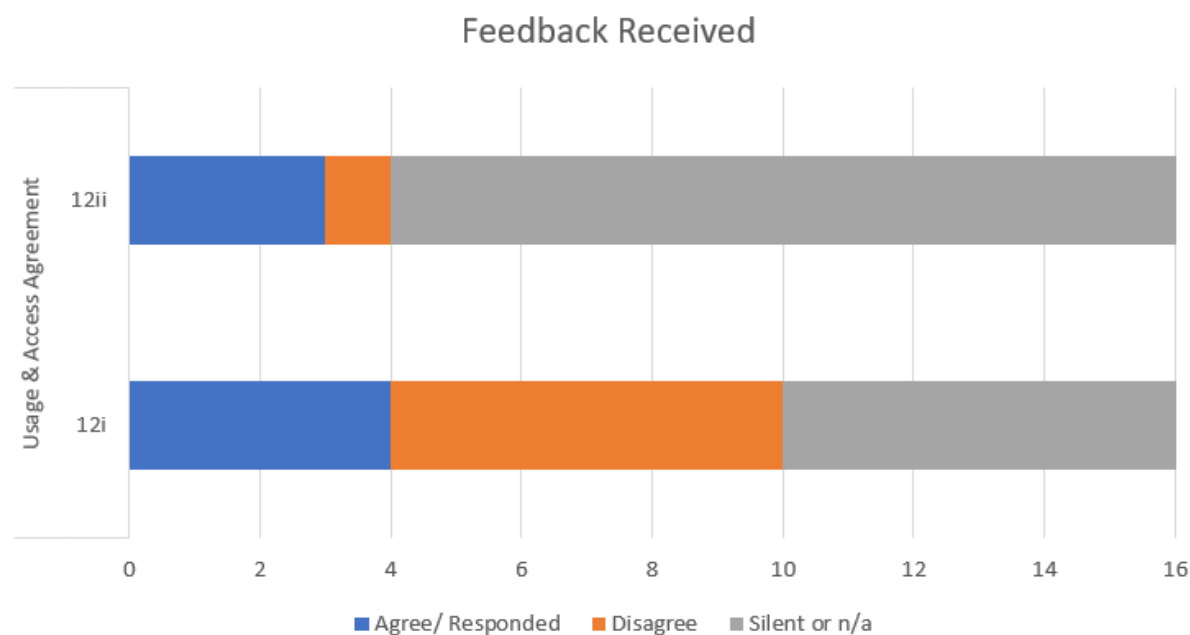
- Following the TAC review on 9 August, the DSB will conduct an initial test of the existing DR functionality in 2019, with users able to opt-in on a voluntary basis to participate in the test. The DSB will publish the results of the test and ask the TAC to evaluate next steps in 2019.
- Detailed feedback is provided as part of the second TAC presentation (slides 25 through 27), [available here](#)

2.2.5 Access and Usage Agreement:

Synopsis of CP2 questions to industry and responses received:

Q12.i Should the DSB include audit rights for intermediary firms providing access to DSB Power User Data?

Q12.ii Industry to revert with specific terms they believe these should be included within the DSB User Agreement.



Mixed opinion on the matter of additional audit rights being included in the DSB User Agreement, with feedback as follows:

- No audit rights should be inserted
- Audit rights should be proportionate
- Differentiated terms between End Users and Intermediaries was acceptable so long as greater differentiation should be made between intermediaries that act as technology facilitators vs. other intermediaries
- A proposal that all DSB user categories be merged and a de-facto tax be applied by the DSB to all MiFID ii participants, irrespective of the participants' use of DSB data

On the matter of additional legal language to be included in the agreement, no specific language was proposed by any respondent. A single user did note that they did not wish to provide public language but wanted amendments to data terms and access to intra-day DSB data outside of regulatory purposes. Such an approach places the DSB at a disadvantage given the proposed publication timeline of draft 2019 User Agreements and accompanying policies - as all DSB users are required to sign a single User Agreement, that is also made available in the public domain.

DSB Decision:

- a) Provide clearer differentiation between technology facilitators and other intermediaries in terms of any audit provisions
- b) Not to proceed with the provision of any additional provisions on intermediaries
- c) Not to include any additional language as none was proposed at this time, with commentary about intended feedback only having been received from a single respondent

3 Appendices

3.1 Appendix 1 - Cost Basis

User fees recover the DSB overhead costs. The total annual overhead upon which the cost-recovery fees were calculated is €9.2m, which is 4.8 percent higher than the €8.8 million previously stated. The additional sum reflects development and operating costs identified in Q4 2017 by regulatory imperative and industry requests.

The fee calculation was based on the contracts in force as of 5 January and the user categories those contracts represent. Excess revenues caused by additional contracts signed after 5 January will go to defraying user fees for the next contract year.

The tables below show the breakdown of the €8.8mm costs published as part of the final report for the second DSB fee model consultation in June 2017. Note that the costs, which include a 20% margin for financial sustainability, are broken down as below:

Category (Recurring)	Description	Amount
Technology & Operations	Operation of the DSB platform including technical and asset class support.	€4,103K
	Support of new ToTV/uToTV functionality, default attribute provision and ReST API introduction	€550K
Management	Senior management team including MD, MSP management team and CFO	€967K
Administration	Administrative costs and overheads such as office space, travel and expenses and administrative support functions	€520K
External consultants	External oversight and legal, professional & communication	€476K
Total		€6,616

Category (Time-limited)	Description	Amount
Startup costs	Amortization of start-up costs over the first 4 years	€1,463K
Financing costs	Start-up loan interest costs repaid over 4 years	€320K
Contingency	An annual contingency fund to cover unplanned costs during the initial few years of operation. For example, if industry were to request the DSB to provide additional services within the cost-recovery mandate.	€375K
Total		€2,158K

It should be noted that the DSB is deliberately structured to minimize operational costs since costs are shared across the industry. By adding the contingency to the budget in the first instance, the DSB is creating an important buffer to maintain the financial stability of the industry utility. This buffer will be used to cover any unforeseen or previously unplanned costs that are incurred. Further, the deliberate service design providing for external consultants to review the DSB's annual operation with a publicly available report is designed to ensure exceptional transparency.

Regarding the use of contingency funds to deliver additional functionality, the DSB will only redirect these funds after consulting with the industry in the same way it has for the Traded-on Trading Venue (ToTV) service that is only now being added to the core ISIN service. Depending on the timeframe for the required new service, the DSB has the option of embedding those costs into the following year's budget – however, should there not be a perfect synchronization between the new service delivery and the DSB's financial year, some use of the contingency will be required.

3.2 Appendix 2 - Principles for Excess Fee Income Redistribution

The following principles will guide the use of any excess fee income received by the DSB – primarily generated because of late joiners and/ or mid-cycle upgrades:

- 100% of the excess fee income will be passed back to DSB Standard and Power Users
- The mechanism used to address any excess fee income received by the DSB should be simple and transparent

Excess fee income earned will be used to reduce the fees of the DSB for the following year and will form part of the variables set one month before the start of the annual subscription period. The DSB assumes that most users will roll their annual contracts with the utility.

Respondents agreed with the principle of using excess revenue to reduce user fees for the following year. There were additional suggestions around ensuring any excess is minimized through the calculation of initial fees and offsetting on a firm-by-firm basis.

Through the fee model explained in this consultation, the DSB is focused on ensuring that minimal funds are raised although this is balanced against the need for financial stability of a key market utility. Reallocation on a firm-by-firm basis will only be considered fair if the DSB also accounts for the exact amount of data and the number of ISINs being used by each firm. Not only would this analysis be an additional cost, it potentially would also skew the charges against those who ‘acted first’ to create ISINs that were then used by the broader community. The DSB prefers to keep the return of excess fees simple and reduce the upcoming year’s entire cost base.