

DERIVATIVES SERVICE BUREAU

INDUSTRY CONSULTATION - 2021 DSB SERVICE PROVISION

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I. DSB BACKGROUND

What is the DSB?

- A technology **platform** which can generate an identification hierarchy for OTC derivatives
- Within its scope of OTC derivatives, it provides the industry with an archive of International Security Identifier Numbers (**ISINs**) and their associated **instrument reference data**
- It is **global** in design and operation, operated under the ISO principles including on a **cost recovery** basis

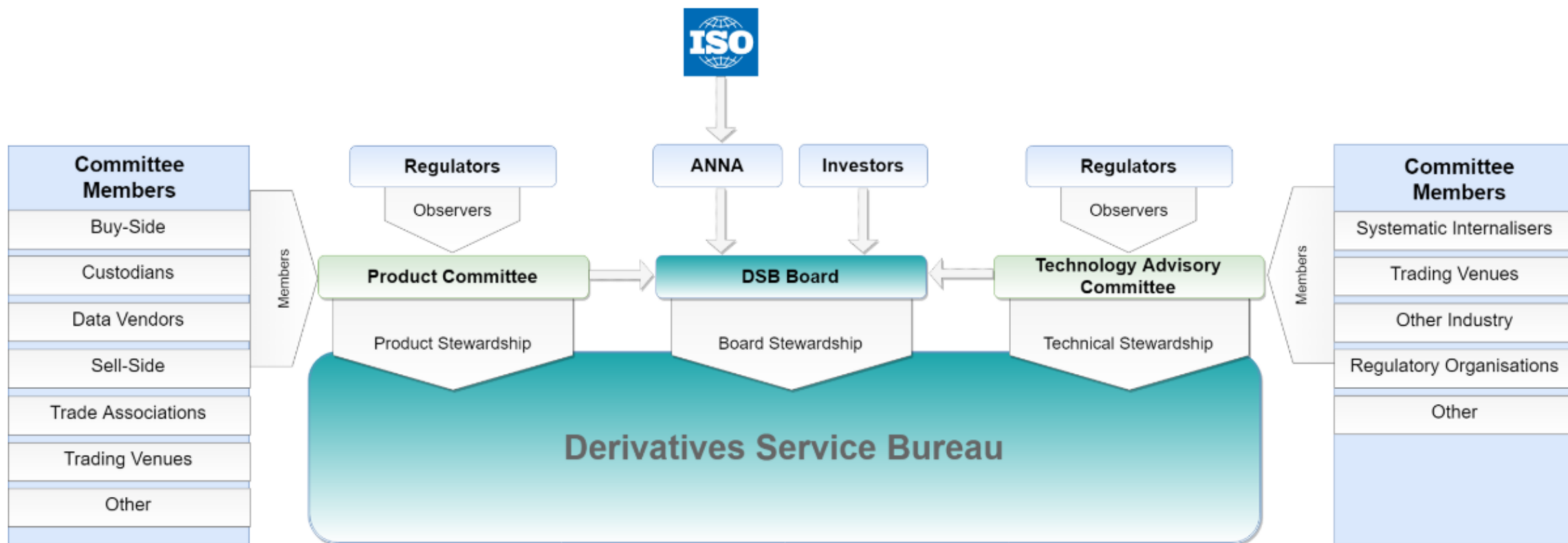
What does the DSB do?

- **ISIN, CFI and FISN generation** for OTC derivative product as required by market participants
- **Distribution of ISINs** and their associated reference data to market participants
- Interaction options include **web interface, programmatic connectivity** and **file download**
- Future generation of **Unique Product Identifiers (UPIs)**

Drivers

- **EU regulators** have **mandated** that ISINS identify instruments for **MiFID2 / MiFIR** reporting, including some **OTC derivatives**
- The **DSB** is the sole source of **ISINs for OTC derivatives** and was engineered to serve the needs of regulators and industry participants, to enable the industry to meet regulatory obligations
- The **DSB** has been **designated** by the FSB as the **sole UPI Service Provider** and operator of the Reference Data Library

2. DSB GOVERNANCE



3. KEY PRINCIPLES

Industry Stewardship

- Product definitions and maintenance is via industry-led Product Committee of market practitioners
- Technology Advisory Committee formed to advise on future evolutions of the DSB technology platform to address changing market requirements
- Public and transparent Industry Consultation process is open to all users to shape the evolution of the service
- Third Party Assurance Audit - ISAE 3402 and AAF 01/06 Type I Report


Cost Recovery

- The numbering agency services will be provided on a cost-recovery basis

Reasonable and Non-Discriminatory (RAND) Access and Use

- DSB ISINs and their associated data will have no licensing restrictions on usage and distribution for any purpose as part of the ISIN record
- Access to the DSB archive for consumption of OTC derivative ISINs and associated reference data will be available for free to all registered organizations and users

4. DSB CONSULTATION TIMELINE

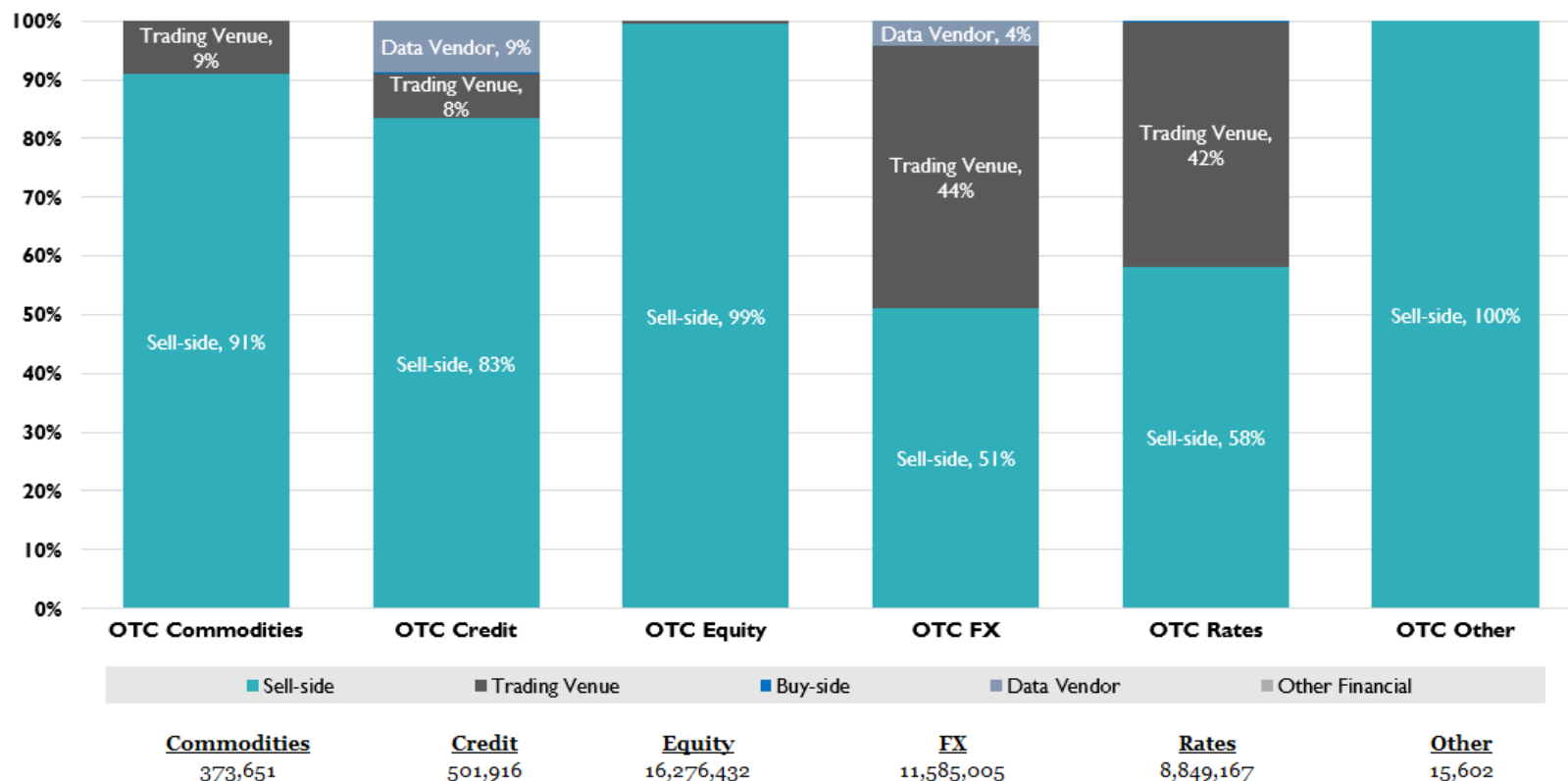
Milestone	Date
Publication of DSB Consultation Paper (CP)	Thu 30 Apr 2020
 Webinar ** Register here **	Thu 7 May 2020
Industry feedback on the CP	Fri 1 May - Mon 1 Jun 2020
Final Consultation Report publication	Wed 1 Jul 2020
DSB 2021 draft Access & Usage Agreement (UA) publication	Mon 10 Aug 2020
Deadline for industry feedback on proposed UA changes	Fri 4 Sep 2020
DSB 2021 final UA publication	Fri 18 Sep 2020
User termination deadline	Thu 1 Oct 2020
Annual User fees for 2021 calculated	Mon 5 Oct 2020
2021 User fees published	Wed 7 Oct 2020

5. PROPOSED FORMAT FOR INDUSTRY RESPONSE

- Designed to consolidate industry feedback in a scalable manner
- Consultation responses to be completed using the form available [here](#) and emailed to industry_consultation@anna-dsb.com
- Stipulate whether the respondent wishes the response to be treated as anonymous. Note that all responses are published on the DSB website and are not anonymized unless specific requests are made
- Where applicable, responses should include specific and actionable alternative solution(s) that would be acceptable to the respondent in order to ensure that the DSB can work to reflect the best target solution sought by industry as a whole (within the governance framework of the utility)
- **Responses must be received by 5pm UTC on Monday 1st June 2020**
- All consultation related queries should be directed to industry_consultation@anna-dsb.com

6. DSB HIGHLIGHTS – I OF II

OTC ISINs Creators: 02 Oct 2017 - 31 March 2020

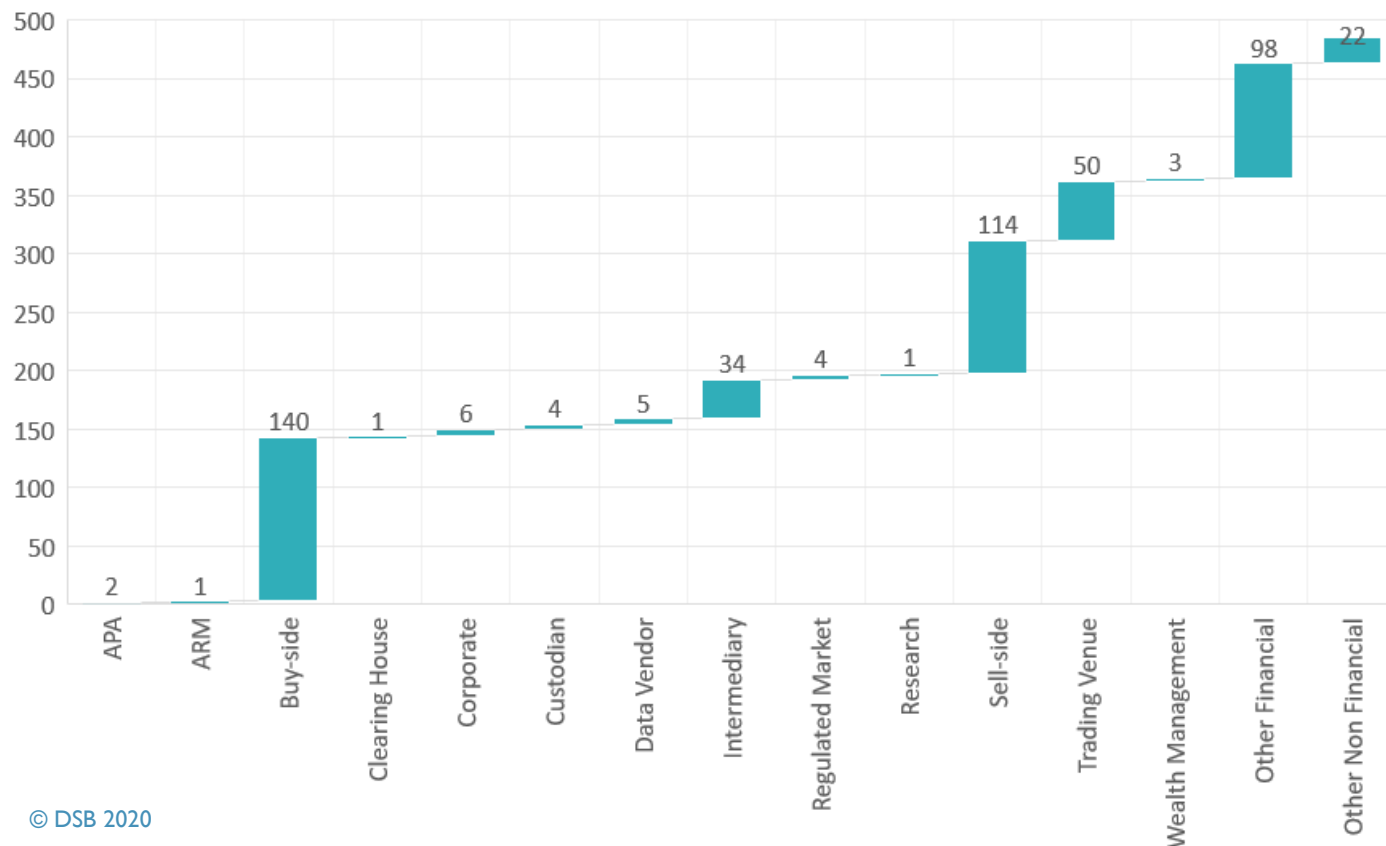


Highlights:

- Users continue to access the DSB to generate and search for both OTC derivatives ISINs and CFI codes
- 10 institutions created 67% of all records
- 9 product templates introduced & 5 product template enhancements delivered
- 31 industry-wide discussions facilitated
- DSB designated by the FSB as the UPI Service Provider – discussions ongoing

6. DSB HIGHLIGHTS – II OF II

Firms Accessing the DSB to Create or Search for data: 2 Oct 17 - 31 Mar 20



DSB Users by Category

Approximately 4k accounts across more than 480 organizations:

FREE TO USE:

- Registered Users = 430 organizations

PAID, as per Q1 2020 Fee Model Variables:

- Infrequent Users = 41 organizations + affiliates
- Standard Users = 12 organizations + affiliates
- Power Users = 74 organizations + affiliates

7. CONSULTATION OVERVIEW

- Incorporates queries and feedback received from industry, including the Product and Technology Advisory Committees, since the DSB's consultation in 2019.
- To streamline the consultation process the DSB will publish a single consultation containing comprehensive information for users to consider; previous years have contained two rounds of consultation.
- The revised consultation approach allows user fees to be published in October, rather than December of each year, in response to industry's request to bring the annual fee publication date forward.
- The DSB will utilise targeted consultations with specific focus throughout the year, if required, to address any regulatory changes or industry requirements that fall outside the larger annual consultation process.
- The consultation questions are set out in sections covering the topics of Functionality, Data Enhancements, Service Availability and Legal Matters

8. UPDATE ON ACTIVITIES RESULTING FROM PRIOR CONSULTATIONS

1. Enhanced enumeration management
2. CFI Codes for EMIR
3. Mapping to MiFID II Taxonomy
4. On-Boarding of CISO
5. Additional Items:
 - a) LEI for CDS Single Name
 - b) Secure SDLC
 - c) ISO 27001/2 for Cyber Breach Risk

9. CONSULTATION QUESTIONS: FUNCTIONALITY

3 questions requesting industry feedback on aspects of functionality covering:

Question 1: Structured Communication Format to Aid User Automation and Digitization

Should the DSB introduce a structured communication format to improve users' operational efficiency? This would allow users to easily identify the nature of the notification and assign it to the appropriate internal team in an automated manner.

Supporting information:

- Notices are issued on a variety of topics (2-5 notices/ week) and are easily missed by users, causing adoption challenges for industry
- In addition, the current notification is manual so cannot be systematically picked up by users' increasingly automated systems, thus impeding the pace of data alignment and operational efficiency
- A worked example of the desired change is provided in the consultation paper

9. CONSULTATION QUESTIONS: FUNCTIONALITY

Question 2: Create a New DSB User Type with “Search Only” API User (fees from new service will be offset existing DSB Users' fees)

Should the DSB introduce the “Search-only API” type based on the details set out above, in order to enable a greater proportion of industry participants to utilize the DSB’s services in a more operationally efficient and scalable manner? Please note that any fees earned from this service would be used to offset the annual fees payable by existing DSB users.

Supporting information:

- Users continue to request read-only API access – typically by institutions needing OTC ISIN data on a high volume and same day basis for their internal processing and downstream reporting needs
- The “Search-only API User” would be able to submit up to 2,000 search requests a week and be returned up to 50 results at a time, for a fee set at 50% of the DSB Standard User charge, alongside DSB GUI and EoD file access
- Any fees earned from such a service, would be used to offset the annual fees payable by existing DSB users

9. CONSULTATION QUESTIONS: FUNCTIONALITY

Question 3: Provide One-Time Data Snapshots for Download (fees from new service used to offset existing DSB Users' fees)

Should the DSB introduce a snapshot data provision service within the cost recovery ringfence, with any fees from the provision of such a service used to offset the fees payable by all other DSB users?

Supporting information:

- Typically requested by new users for a specified (but variable) date range and/or asset class combination
- With new firms continuing to join the DSB, this service is seen as a way of mitigating risk by obtaining data from the golden source, via a single snapshot
- The fee for the “DSB Snapshot Service” would be variable and based on the volume of data requested i.e. determined by user driven parameters.
- Any fees earned from this service would be used to offset the annual fees payable by existing DSB users

10. CONSULTATION QUESTIONS: DATA ENHANCEMENT – I OF II

I question requesting industry feedback on data submission enhancements related to:

Question 4: OTC Derivative Financial Instrument Short Name (FISN) Review – analysis only

Does industry concur with the proposal to undertake a time-boxed piece of analysis that would seek to confirm a common view on the primary enhancements users wish to undertake, with oversight from industry participants at the DSB Product Committee? To the extent industry is supportive of the analysis effort, feedback consisting of specific ideas for enhancement is welcome.

Supporting information:

- The FISN incorporates abbreviated characteristics for the financial instrument and has a maximum length of 35 alphanumeric characters. The FISN is intended to provide a short, consistent, human readable and easily distinguishable format for essential information about the instrument.

10. CONSULTATION QUESTIONS: DATA ENHANCEMENT – II OF II

- With the growing reliance on standardized OTC derivative reference data, the DSB has an opportunity to work with industry to achieve alignment with operational efficiency driven evolving industry practice and enable broader understanding and adoption.
- An example of this is the growing reliance on use of the OTC instrument short name within users' systems, as a means of more easily identifying pertinent characteristics associated with the OTC CFI code and/or OTC ISIN.
- As OTC ISIN adoption extends beyond RTS-23 (increasingly being used for RTS-2, RTS-22, to support internal operational purposes within buy-side and sell-side institutions, etc.), the DSB has fielded a growing number of requests to allow industry to have input into examining whether the existing OTC FISN could be further enhanced to reflect the increasingly operational efficiency and AI driven needs of industry participants.
- A worked example of the desired change is provided in the consultation paper.

II. CONSULTATION QUESTIONS: SERVICE AVAILABILITY

2 questions requesting industry feedback on service availability related to:

Question 5: Multi Cloud Configuration – analysis only

Should the DSB perform a risk assessment on the current single cloud operations, together with a cost-benefit analysis of a potential move to a multi-cloud architecture?

Supporting information:

- The DSB would like to revisit a question first posed in the 2018 Industry Consultation Exercise which concluded that a single cloud provider was acceptable and that no further action was required at that time
- Since then, regulatory focus on cloud operator concentration risk has increased and is well documented
- While some of these reports may not directly relate to the current DSB services, there is a clear steer toward mitigating concentration risk and since the 2018 consultation the FSB has designated the DSB as the sole UPI Service provider globally and so we feel that the question should be revisited

II. CONSULTATION QUESTIONS: SERVICE AVAILABILITY

Question 6: Single Active Region Risk Assessment – analysis only

Should the DSB perform a risk assessment of its existing model of global connectivity from a single active geographical region, plus analysis of the costs and benefits of mitigating the identified risks?

Supporting information:

- The DSB has witnessed a broader geographic dispersion of its users since start of operations in Q4 2017
- In contrast, the DSB's the technology footprint has remained constant
- The designation of the DSB as the sole UPI Service Provider will lead to the delivery of DSB Services across all G20 jurisdictions by Q2 2022
- Given the above the DSB proposes to undertake a risk assessment of its existing model of global connectivity from a single active geographical region along with a cost-benefit analysis to mitigate any identified risks

12. CONSULTATION QUESTIONS: USER AGREEMENT

1 question requesting industry feedback on the User Agreement:

Question 7: DSB Governance Policy Dispute Resolution Mechanism

Does industry concur with updating the DSB Disputes and Resolution process to arbitration, referring disputes to the London Court of International Arbitration (LCIA) and incorporating a small claims procedure?

Supporting information:

- The DSB's role as an industry utility, with a common agreement in place, means it is required to ensure parity of Users and that it does not give preferential treatment to any individual User
- The DSB Governance Policy, paragraph 4, sets out the Disputes and Resolution process. The current process requires negotiation in good faith, followed by a CEDR Model mediation and lastly, referral to the English Courts for resolution
- The DSB considers that it would be sensible to amend the dispute resolution mechanism and remove the requirement to mediate before the dispute can be escalated to either the English Courts or arbitration for resolution

12. CONSULTATION QUESTIONS: USER AGREEMENT

- Removing the requirement to negotiate and mediate does not prevent the parties from still seeking to resolve a dispute by negotiation or mediation given these are voluntary dispute resolution mechanisms
- A comparative analysis has been undertaken on arbitration versus the English Courts litigation process with consideration of:
 - Fair and reasonable approach – the dispute resolution approach must be fair and reasonable
 - Flexibility – the approach can be adapted to suit the DSB needs
 - Speed – efficient and prompt resolution can be achieved
 - Cost – cost effectiveness of the approach
 - Confidentiality – adequate transparency
 - Enforcement – range of enforceability on an international scale
 - Appeals – necessity for an appeals process
- In consideration for proposing an appropriate dispute resolution mechanism for the DSB, it is critical that any alternate dispute resolution process does not include aspects where the DSB needs to apply discretion or negotiate terms giving preferential treatment to any individual user.

12. CONSULTATION QUESTIONS: USER AGREEMENT

- The DSB recommends arbitration as the preferred approach on the basis of establishing a tailored small claim procedure. A small claims procedure is aimed to encourage an efficient and cost-effective process for dispute resolution.
- The DSB also proposes to include a variation to the arbitration default confidentiality requirements to ensure adequate transparency can be provided with respect to dispute resolution handling.
- With respect to cost of the arbitration, as included in the Governance Policy today, costs shall be shared equally between the parties.
- Consideration has been given to two well-known and respected arbitral institutions - London Court of International Arbitration (LCIA) and the International Chamber of Commerce (ICC). Comparison of key aspects such as flexibility, speed, small claims procedure and costs, has indicated that the LCIA as the most cost effective and efficient process for the likely value of cases.
- The DSB is proposing to update the DSB Disputes and Resolution process to arbitration, referring disputes to the London Court of International Arbitration (LCIA) and incorporating a small claims procedure.

12. CONSULTATION QUESTIONS: USER AGREEMENT

Proposal for Next Steps:

- The DSB will provide a draft version of the Agreement for industry review and feedback in advance of publishing the final Agreement that will come into effect on 1st January 2021. The timeline for the review process is as follows:
 - Mon 10 Aug 2020 - DSB 2021 draft Agreement publication
 - Fri 4 Sep 2020 - Deadline for industry feedback on proposed Agreement changes
 - Fri 18 Sep 2020 - DSB 2021 final Agreement publication & Variation Notice distributed
 - Thu 1 Oct 2020 - User termination deadline
 - Fri 1 Jan 2021 - Effective date for changes to the Agreement

13. PROPOSED FORMAT FOR INDUSTRY RESPONSE

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- All consultation related queries should be directed to industry_consultation@anna-dsb.com

14. FURTHER INFORMATION

- Product documents, user notifications, FAQs & operational status: <https://www.anna-dsb.com/>
- Industry consultation reports and feedback: <https://www.anna-dsb.com/industry-consultation/>
- Third Party Assurance Audit: <https://www.anna-dsb.com/third-party-assurance-audit/>
- Fee Model Variables: <https://www.anna-dsb.com/fee-model-variables/>
- Fees & Rules: <https://www.anna-dsb.com/fees-rules-2020/>
- Regular DSB blogs: <https://www.anna-dsb.com/blog/>
- Technical documentation: <https://github.com/anna-dsb>
- Request registration by emailing: technical.support@anna-dsb.com
- General questions: secretariat@anna-dsb.com

Thank you!