

DERIVATIVES SERVICE BUREAU – PRODUCT COMMITTEE

INTRODUCTION

The Derivatives Service Bureau (DSB) is a fully automated and official generator of International Securities Identification Numbers - ISO 6166 (ISINs) for OTC derivatives as well as the Classification of Financial Instruments - ISO 10962 (CFI) and Financial Instrument Short Name - ISO 18774 (FISN) codes. The DSB is the first numbering agency designed to operate on a global basis and currently provides near-real time generation of ISINs, CFI & FISN through a web interface and API connectivity providing direct integration to trading and trade-management systems.

Established by ANNA as a separate legal entity, the DSB was established as a continuation of the work of ISO TC68 / SC4 Study Group 2 in response to a decision by European regulators that mandated the ISIN as the identifier for the reporting of OTC derivative transactions within the new regulatory environment.

Since the DSB's designation by the FSB to be the sole UPI Service Provider for the future UPI system in May 2019, the DSB is now evolving to meet the obligations of a UPI Service Provider as set forth by the FSB in its Governance arrangements for the UPI¹. The Product Committee will serve as part of the Industry Representation Group (along with the DSB Technology Advisory Committee²) as set out by the FSB in its Governance arrangements for the UPI.

Following the successful implementation of ISINs for OTC Derivatives in October 2017, the DSB continues to evolve to support additional global regulatory requirements and use cases that are suited to voluntary adoption by the industry.

The general objective of the DSB Product Committee is to bring together industry and regulatory experts to advise the DSB Board on the most suitable way in which OTC derivative products should be defined, maintained, enhanced and governed.

This document aims to define the objectives, procedures and operations of the DSB Product Committee including any related Subcommittees.

CHARTER OF THE PRODUCT COMMITTEE

(1) Committee's Official Designation

The advisory committee's official designation is the DSB Product Committee ("PC").

(2) Authority

The PC is a discretionary advisory committee established by the authority of the Board of the Derivatives Service Bureau (DSB) Ltd ("DSB").

(3) Objectives and Scope of Activities

The PC's objectives and scope of activities shall be to conduct meetings, to submit reports and recommendations to the DSB Board. It is important to recognise that recommendations linked to ISIN, CFI, UPI and FISN service provisions must consider alignment with ISO Registration Authority principles such as adherence to cost recovery and reasonable and non-discriminatory access to data and services.

¹ <https://www.fsb.org/2019/10/fsb-publishes-upi-governance-arrangements/>

² <https://www.anna-dsb.com/technology-advisory-committee/>

Additionally, the PC shall assist the DSB in creating and maintaining the specifications (and associated collateral) for OTC Derivative ISINs, UPIs and other approved identifiers in accordance with the following terms of reference:

i. OTC ISIN Design

- Must be fully consistent with the ISO 6166 standard.
- Must include the generation of CFI and FISN codes in accordance with the ISO 10962 and ISO 18774 standards respectively.
- Must be extensible to multiple jurisdictions (generally) and multiple business use cases and, as far as reasonably possible, consistent with CPMI-IOSCO's thinking on UPI.
 - Must meet the requirements of MiFID II (RTS23) including further guidance provided by European Securities and Markets Authority (ESMA).

ii. ISO/ TC 68/SC 4/SG 2 Recommendations

- ANNA as the Registration Authority for ISO 6166 has the responsibility for the implementation of the ISO 6166 standard.
- The report of TC 68/SC 4/SG 2 was prepared for its parent committee TC 68/SC 4 (which following an ISO TC 68 reorganization has become TC 68/SC 8). It is expected that the design of the OTC ISIN supports a multi-level framework, but the timing for implementation was not discussed or agreed within TC 68/SC 4, consequently it falls within the remit of the DSB on behalf of ANNA.
- The sequencing of product analysis and development falls within the remit of the DSB.

iii. Other Regulatory or Industry Approved Identifiers

- Must not conflict with fulfilling MiFID II (RTS23) obligations.

iv. UPI

- Must be fully consistent with the principles set out in the UPI Technical Guidance³, which sets out technical requirements for a UPI Code and related reference data, and any further guidance provided by Committee on Payments and Market Infrastructures together with the International Organization of Securities Commissions (CPMI-IOSCO), or the Financial Stability Board (FSB).
- The PC will work with the International Governance Body (IGB) to resolve any concerns with respect to alignment of the CFI, UPI and OTC ISIN.

Items (i) through (iv) above are predicated on the assumption that the data elements contained in each of the CFI, UPI, and ISIN will remain aligned.

The work of the PC is intended to represent and balance the interest of market participants, policy makers and regulators and be sensitive to financial market and geographic considerations.

³ See CPMI and IOSCO (2017), Technical Guidance: Harmonisation of the Unique Product Identifier, available at <https://www.bis.org/cpmi/publ/d169.pdf> and <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD580.pdf>

(4) Description of Duties

The duties of the PC shall be solely advisory. The PC may call for reports and/or recommendations by the PC or PC Subcommittees, adopt reports and/or recommendations, transmit reports to the DSB Board, and make recommendations to the DSB Board.

Reports and/or recommendations shall be developed in consultation with all members of the PC and any transmission to the DSB Board shall include dissenting or minority views.

Determinations of actions to be taken and policy to be expressed with respect to the reports and/or recommendations of the PC shall be made solely by the DSB Board.

The PC shall, where further expertise is required, establish Subcommittees that will be mandated to address specific issues.

The PC shall maintain minutes and records of its meetings, deliberations and analyses including records of all decisions made by the PC and any disagreements in respect of such decisions.

The PC shall draft a monthly progress report for the DSB Board that will include any significant issues discovered with plans for remediation methods and/or escalation process. The report will also include a summary of PC meeting attendance details.

The PC shall review all relevant regulatory or industry changes raised by members of the PC and advise the DSB Board as to whether and how such changes would impact the service provided by the DSB.

The PC shall address issues raised by the DSB Secretariat or the DSB Board in relation to the creation and maintenance of specifications (and associated collateral) for OTC Derivative identifiers.

(5) Official to Whom the Committee Reports

The PC shall submit its reports and recommendations to the DSB Board. The PC will also have a "Sponsor," who may be a DSB Board member, or a designee of the DSB Board, and who will be responsible for ensuring that the advice and recommendations of the PC are provided to the DSB Board.

(6) Support

The DSB shall provide necessary support services for the PC.

(7) Estimated Annual Operating Costs and Staff Years

The estimated annual operating costs for supporting the PC (including costs associated with meeting expenses and any DSB Management Services Provider ("MSP") employees needed to support the PC on a continuing basis) will be covered by the existing DSB Secretariat budget.

Additional costs and expenses of work that falls outside the basic scope of the PC must be approved by the DSB Board.

PC members will not be compensated by the DSB for their services and will not be reimbursed or receive per diem from the DSB for travel-related expenses to attend PC meetings.

In order to reduce the expenses of PC members, meetings will be held virtually whenever practicable.

(8) Designated DSB Officer

The DSB Board shall appoint a DSB Management Services Provider (“MSP”) resource to serve as the Designated DSB Officer (“DDO”) of the PC and any established PC Subcommittees.

The DSB may appoint one or more MSP resource(s) to serve as an alternate DDO for any established Subcommittees.

The DDO or alternate DDOs shall prepare and approve all meeting agendas; approve or call all PC or Subcommittee meetings; attend all PC and Subcommittee meetings; adjourn any meeting when the DDO or alternate DDO determines adjournment to be in the public interest; chair meetings when directed to do so by the PC Chair, or PC Subcommittee Chair; and assist in the preparation and certification of meeting minutes.

(9) Estimated Number and Frequency of Meetings

Meetings of the PC will occur fortnightly, but a weekly schedule may be employed if circumstances demand and if approved by the PC.

An ad hoc meeting of the PC may be convened at any time by the DDO, upon a request by any member, provided that every member is notified in writing about the meeting and the contents of the agenda before the meeting is convened.

(10) Duration & Termination

Duration: The PC will continue for a period of two years from the date of renewal. The DSB Board will undertake a review of the PC Charter and PC Membership towards the end of the two year period.

Termination: The DSB Board will determine the termination date of the PC.

(11) Membership and Designation

Members of the PC shall be appointed and removed by the vote of the DSB Board.

Members of the PC can be appointed or removed at any time.

In addition to the appointed members of the PC, the DSB Board shall designate a Chair to serve for a term of indefinite length that is not longer than the duration of the PC’s existence.

Each member of the PC and its Chair shall serve until their successor is appointed or until the earlier of their resignation or removal.

The DSB Board has the authority to reconstitute the PC if it considers that the level of participation by members of the PC is not sufficient for it to function in accordance with the objectives detailed in the PC Charter.

Members of the PC are expected to attend and participate in meetings and actively engage in the procedures of the PC (contribute to discussions, responding to emails etc.).

Members who are not able to attend a PC meeting are expected to send their apologies to the DDO with at least one day’s notice. Under such circumstances, the PC member is able to transfer voting responsibility to the DDO or another member of the PC (from the same Functional Category) – who will cast a proxy vote in accordance with the member’s instructions.

Absence (with or without apology), late attendance and/or a lack of active participation, such as failure to contribute to meeting discussions, for three consecutive PC meetings will be recorded and included in the monthly report sent to the DSB Board.

If a PC member expects to be unavailable for a significant period (e.g.: parental leave, long-term sickness/injury, temporary relocation etc.) the DSB Board has the authority to appoint a substitute member of the PC for a fixed term in order to maintain the balance of the committee. The substitute member with equivalent experience and subject matter expertise will be nominated by the represented institution and will, if appointed, serve in the same capacity as the original member.

The DSB has the authority to appoint special DSB agents (“SDA”) as temporary members of the PC who are able to provide specific advice to the PC based on their expertise. The DSB Board shall not appoint any registered lobbyist to serve as an SDA on the PC.

The PC shall consist of no more than 15 voting members (excluding the Chair) who are appointed at the discretion of the DSB Board to ensure a balanced representation of institutions across function, size, geographic region and asset class is maintained. Recognizing that what constitutes a balanced geographic representation will evolve over time as jurisdictions implement the UPI Technical Guidance, the DSB Board will seek to balance the number of voting members over time among regions with jurisdictions implementing the UPI Technical Guidance.⁴

Nominations for membership of the PC are to include the functional category that will be represented by the nominee. Each institution can only be nominated to represent one of the following functional categories.

- i. Voting Members** (able to attend meetings, contribute to the meeting and vote).
 - Buy-Side Institutions (Max. 3)
 - Sell-Side Institutions (Max. 3)
 - Custodians (Max. 3)
 - Trading Venues (Max. 3)
 - Vendors (Max. 3)
- ii. Non-Voting Members** (able to attend meetings and contribute but not vote).
 - Trade Associations (Max. 5: representing a broad constituency of asset classes and member roles)
- iii. Observing Members** (able to attend meetings and contribute but not vote).
 - Regulators and / or Policy Makers

Each member who is not a DSB Board member or an MSP member shall serve on the PC either as the representative of an organization or identifiable group of persons with interests affected by the work of the PC and are expected to convey to the DSB Board and to the PC the views and interests of the functional category that they represent. Where the member is employed by a separate institution, as may be the case for some Trade Association members, the member is expected to represent the views and interests of their nominated functional category.

⁴ The regions with jurisdictions that are expected to implement the UPI include North America; Europe and Asia.

Regulators from jurisdictions that require the reporting of the UPI shall be permitted to become Observing Members. Recognizing that authorities' needs remain the primary use case which the UPI addresses, comments made by Regulators at meetings shall be duly noted in meeting minutes.

All participants and contributors to the PC are expected to adhere to the provisions of the Competition Law Protocol (see Appendix 1).

Members of the MSP are not considered to be members of the PC but will attend (and can contribute to) all meetings and assist in the process of record keeping and meeting management (see DDO).

(12) Subcommittees

The PC has the authority to initiate and dissolve Subcommittees to address specific issues that require additional knowledge that is outside the expertise of the PC membership.

PC Subcommittees may include as members individuals who are members of the full PC and/or other individuals. Members of Subcommittees (including the PC Subcommittee Chair) shall be appointed and removed by the PC in order to address the specific nature of the issue in question.

Each Subcommittee shall have a documented mandate (including its scope and purpose) and working procedures defined by the PC. The PC will be responsible for defining the terms of reference, scope, duration and membership of any Subcommittee.

Any Subcommittees shall report to the PC and may not provide reports and/or recommendations directly to the DSB Board or to any DSB officer or employee.

PC Subcommittees may, by simple majority vote, adopt reports and/or recommendations of the PC Subcommittee, transmit reports to the PC, and make recommendations to the PC.

Reports and/or recommendations shall be developed in consultation with all members of the PC Subcommittees and any transmission to the PC shall include dissenting or minority views.

PC Subcommittees shall not have authority to make decisions on behalf of the PC.

The output of the PC Subcommittees shall be presented to the PC – including a final report on its findings and recommendations before its termination.

(13) Meeting Procedures

During meetings of the PC, the Chair is responsible for overall functioning of the PC meeting.

During meetings of the PC, the Chair shall ensure that PC decisions are taken on a sound and well-informed basis.

During meetings of the PC, the Chair shall encourage and promote open and critical discussion.

If the appointed Chair is expected to be unavailable for a significant period (e.g.: parental leave, long-term sickness/injury, temporary relocation etc.) the Chair has the authority to appoint the DDO or alternate DDO(s) as interim Chair. The interim Chair will serve in the same capacity as the appointed Chair but will not have the authority to cast a deciding vote.

A simple majority of the appointed PC voting members (including substitute voting members) shall constitute a quorum for the transaction of business.

The Chair, non-voting members, observers and members of the MSP are excluded from the calculation of quorum.

If the meeting is not quorate 15 minutes after the scheduled start and at least 5 Voting and Non-Voting PC Members are in attendance, a written summary of the discussion (including recommendations made) will be shared with all PC Members, feedback solicited in response and ratified by a quorate meeting of the subsequent PC, and the written summary treated as the minutes of the meeting. In all other cases, the meeting will be cancelled. Confirmation of the cancellation will be recorded by the MSP and included in the monthly report to the DSB Board.

The MSP will ensure that the agenda for each PC meeting is distributed to all members of the PC at least 48 hours before the scheduled start of the meeting.

The DDO (or alternate DDOs) shall maintain a log of PC meeting attendances – including absence without apology, late attendance and a lack of participation. This log will be maintained regardless of whether quorum is achieved and will be made available in the monthly progress report that is sent to the DSB Board.

The PC shall aim to find consensus amongst its members but if no agreement is reached, the chair may call for vote.

Each voting member of the PC (excluding the Chair) shall have one vote in all matters requiring a vote by the PC and the act of the PC will be based on a simple majority of the voting members present at the meeting.

In the event that the votes of the PC members do not constitute a majority due to a tie, the tie-breaking vote will be cast by the Chair. If the meetings conducted by an interim Chair, any tied votes will not be decided by a deciding vote and will be held over until the next meeting.

In the event that a PC meeting is cancelled, the DDO or alternate DDO are able to request a vote on key agenda items by email. The email will be sent to all members of the PC and will contain a clear statement of the agenda item for consideration, all relevant supporting information and an expected response deadline. Votes received by the response date will be used to determine the course of action and all members of the PC will be notified of the decision by email. Repeat non-responsiveness to email communication will also be considered lack of participation.

Key decisions made by the Product Committee will be published in the meeting minutes and will be subject to Chatham House (non-attributable) rules.

Minutes are to be distributed to and approved by the PC voting members before being made available to the non-voting members, observing members and the DSB Board. Minutes from the PC shall be made public through the DSB website within one month of the meeting taking place.

(13) Recordkeeping

Records of the PC and any Subcommittee may be made available to the public on the DSB website. With the exception of meeting minutes (see above), the PC has the discretion to determine the publication of any collateral that has been created as part of the analysis or approval process.

The PC shall maintain accurate records of any Product Requests that are received from the DSB Secretariat.

APPENDIX 1: Competition Law Protocol

The purpose of this protocol is to remind attendees of Derivatives Service Bureau (DSB) Limited (“DSB”) meetings, including the Board, that all discussions at such meetings are subject to the application of EU, UK and other applicable national competition law (“Competition Law”).

Individual attendees are responsible for observing the requirements of Competition Law and should make themselves familiar with their legal obligations and their own organization policies.

DSB is committed to compliance with Competition Law, so to ensure that all meetings remain in compliance with Competition Law, we advise that all attendees follow the guidance set out below.

- A meeting agenda will be circulated in advance of a meeting. Any objections to, or potential concerns about, the proposed agenda in relation to Competition Law compliance should be raised prior to the meeting if practicable
- Attendees must stick to the prepared agenda during the meeting and avoid discussion about other topics
- Attendees must not seek, discuss, communicate or exchange any commercially or other business sensitive information about their organization or relating to competitors (whether before, during or after meetings). This includes, for example, any non-public information relating to prices, costs, revenues, business plans/marketing activities, individual terms and conditions, risk appetite or any other information which is likely to reduce strategic uncertainty in the market (i.e. which might result in less intensive competition than would normally occur)
- Attendees must not reach any sort of agreement or understanding that is unlawful due to competition law (e.g. unlawful horizontal agreement, unlawful vertical agreement)
- The Management Services Partner (“MSP”) will take minutes of the meeting, and supply these to each attendee in due course. Where discussions directly concern the MSP, the Chair will take minutes or appoint an attendee as proxy
- If the Chair considers that a discussion at the meeting may be inappropriate from a Competition Law perspective, he or she shall raise an objection and promptly bring that part of the discussion to an end. If another attendee, or the MSP, is concerned about a discussion from a Competition Law perspective, he or she shall bring it to the attention of the Chair, who will promptly bring that part of the discussion to an end. If other attendees attempt to continue that discussion, the Chair shall bring the meeting to an end. Every attendee is allowed to immediately leave the meeting in such situations. All these situations must be properly recorded in the minutes
- The minutes of the meeting must subsequently be read and approved by the attendees. If any matter discussed is not recorded in the minutes, or is recorded incorrectly, any attendee may raise an objection in writing and request an amendment.
- Similar principles should be observed for any group email exchanges or other online group discussions operated by DSB.

We remind attendees that breaching Competition Law has serious potential consequences for them as individuals and their organizations. Such consequences may include heavy fines, liability to pay compensation to affected individuals and businesses and, in certain cases, the imposition of criminal penalties, director disqualification orders and disciplinary action.

About the Derivatives Service Bureau (DSB) Ltd.

The Derivatives Service Bureau is a global numbering agency for OTC derivatives serving the needs of market participants through the allocation of International Securities Identification Numbers (ISINs), the Classification of Financial Instruments (CFI) and Financial Instrument Short Name (FISN), all globally recognised and adopted ISO standards for identifying, classifying and describing financial instruments.

The DSB has also been designated as the sole provider of the Unique Product Identifier (UPI) by the Financial Stability Board (FSB) and is working with stakeholders to make the UPI globally available.

Serving almost 500 institutions (70% free of cost), with an underlying technology platform that is built to support multiple taxonomies of definitions and descriptive data, as well as numbering in near-real-time, the DSB is motivated to bring greater transparency and integration within the OTC derivatives market, enabling institutional investors to standardise data and better control operational risk. Users can access the DSB through a web interface, by accessing data in daily update files or by direct integration to front-office systems for trading and order management.

The DSB is a legal subsidiary of the Association of National Numbering Agencies (ANNA). With widespread industry representation, expertise and collaboration at its core, the DSB's history, pedigree and expertise are rooted in ANNA, with its broad experience and overview of handling both on and off-exchange ISINs for all asset classes. If you would like to use the Derivatives Service Bureau please visit the DSB [website](#).

An overview of the DSB's activities is available here: <https://lnkd.in/dN4Z7Up>