

DSB Product Committee : Digital Asset Strategy Sub-Committee Meeting Minutes

Date: 16-Aug-2022

Time: 15.00 – 16.30 UTC

Location: Teleconference

Name	Organisation
Joseph Berado	ICE / NYSE
Lisa Iagatta	ISITC
Alex McDonald	EVIA
Dianne O'Boyle	ISITC
Jean O'Bray	FCA
Gregg Rapaport	DTCC
Lisa Taikitsadaporn	FIX Trading Community
Simon Wiltshire	DSB

No Topics

1 Introduction & Agenda

2 Competition Law Reminder

Presented.

3 Open Actions

004 The DSB agreed to distribute or publish a list of links to the main regulatory documents that were referenced in the discussion. DSB **OPEN**

Note: The DSB confirmed that work was continuing on support for a dedicated DAS-SC bulletin board.

005 The DSB will work with the ISDA to access available details of the relevant ISDA definitions for digital assets. DSB **OPEN**

Note: A DSB / ISDA meeting has been arranged to take place before the next meeting of the DASC-SC.

4 Meeting Details

Summary

- The DASC-SC welcomed Que-Phuong Dufournet (Société Générale) to the sub-committee.
- The meeting reaffirmed the DAS-SC Terms of Reference, highlighting:
 - i. The aim of providing industry guidance for a common approach to the classification of digital asset-based OTC derivatives in order to avoid duplication of UPIs (for the same product).
 - ii. The group will initially focus on Native Digital Tokens (eg: ETH, BTC).
 - iii. The group will initially focus on FX-style OTC derivatives (based on Native Digital Tokens).
 - iv. It was noted that as the group develops solutions for these tokens, the principles established by the group will be taken forward and applied to other categories of digital token.

-
- Using the materials presented, the meeting discussed the existing CFI, UPI and ISIN definitions for FX OTC Derivatives and raised the following issues and questions.

Product Identification with CCY Codes

- Although digital assets can be considered analogous to currencies, they are not currently included in the ISO 4217 list.
- It is unlikely that Native Digital Tokens will be included in ISO 4217 due to their number, the need to know the underlying DLT and the fact that they may not be considered to be “currencies”.
- It was noted that ISO 24165 (DTI) allows for a more precise identification of a digital asset (including the DLT) and that the FIX protocol has recently proposed its adoption as an identifier source.

The following questions was to be sent to all members of the DAS-SC:

Q1: Do you think that the DTI provides a satisfactory solution to the identification of digital assets as underliers to OTC Derivatives?

Delivery Type

- The meeting discussed the available values for Delivery Type in ISO 10962 (CFI) to see how they compared to the requirements for a Digital OTC Derivative.
- Please see the table at the bottom of this email for reference to the ISO 10962 descriptions for Delivery Type in the 2015 and 2019 versions of the standard.
- The meeting expressed the view that the CFI definitions were not directly equivalent to those required for digital assets where an indication of on-chain/off-chain settlement, for example, may be required.
- The meeting asked for more details to be provided (see below) and for time to consider this position and for the question to be discussed at a future meeting.

The following questions was to be sent to all members of the DAS-SC:

Q2: Do you think that the delivery of digital assets underlying an FX Fwd, Swap or Option fit the descriptions used for the CFI – and, if not, what are the main points of difference?

Digital Underlier Separation

- The meeting expressed the view that there was a need to segregate OTC derivatives on digital assets in order to be able to apply specific risk measurements or regulatory assessments etc.
- As a result, the group explored the idea of introducing a new Group within the OTC Derivative categories – eg: Swap/Digital Asset (SD****); Forward/Digital Asset (HD****); Option/Digital Asset (JD****).
- As an example of the issues surrounding the possible inclusion of Digital Asset Derivatives within the existing CFI Groups, the meeting discussed the variable treatment of FX Swaps by different regulators.
- In light of these issues, the meeting expressed the view that the segregation of digital assets within the CFI standard might provide a desirable level of clarity.
- The meeting asked for more time to consider this position and for the question to be discussed at a future meeting.

The following questions was to be sent to all members of the DAS-SC:

Q3: Do you think that the DAS-SC should explore the need for a separate Group within the CFI definitions for OTC derivatives?

Additional Products

- The meeting raised the issue of the next set of Digital Asset Derivatives that the group would need to consider – once principles had been established for FX-Style products.

The following questions was to be sent to all members of the DAS-SC:

- **Q4: Can you propose any additional OTC Derivative products with a digital asset underlier that should be considered by the DAS-SC?**

Action006> DSB to send an email summary to all members of the DAS-SC requesting input to the questions provided above.

AOB

N/A

Respectfully submitted,

DSB Secretariat

Summary of Open Actions

Owner

**Target
Date**

004	The DSB agreed to distribute or publish a list of links to the main regulatory documents that were referenced in the discussion.	DSB	30-Aug-22
005	The DSB will work with the ISDA to access available details of the relevant ISDA definitions for digital assets.	DSB	30-Aug-22
006	DSB to send an email summary to all members of the DAS-SC requesting input to the questions provided above.	DSB	30-Aug-22
