

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

Date: 22-Nov-2022

Time: 15.00 – 16.30 UTC

Location: Teleconference

| Name | Organisation |
|----------------------|--------------|
| Jospeh Berado | ICE+ |
| Stephan Dreyer | ANNA |
| Que Phuong Dufournet | Soc Gen |
| Dawd Haque | DB |
| Alexander MacDonald | EVIA |
| Harry McAllister | BNPP |
| Dianne O'Boyle | ISITC |
| Jean Obroy | FCA |
| Tom Soden | FCA |
| Lisa Taikitsadaporn | FIX |
| Simon Wiltshire | DSB |
| Adam Grace | DSB |

No Topics

1 Introduction & Agenda

2 Competition Law Reminder

Presented.

3 Open Actions

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

Note: The DAS-SC was made aware of a speech by Scott O'Malia (CEO ISDA) that ISDA will be publishing the first contractual standards for over-the-counter crypto derivatives by year end. The press release will be emailed to the group.

4 Meeting Details

Meeting Summary

- The meeting **APPROVED** the reordering of the DAS-SC deliverables in order to ensure that near-term deliverables were addressed before those with a longer-term objective. The revised list is:

o Short Term

1. Agree an approach for the assignment of OTC ISINs under the current (ISO 10962:2015) CFI standard.
2. Recommendation for the identification of Digital Assets as underliers to the UPI / OTC ISIN.

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- 3. Industry guidance for a common approach to the classification of Digital Asset based OTC Derivatives.
 - Long Term
 - 4. Recommendation for amendments to ISO 10962 (CFI) for the classification of Digital Assets.
- The meeting was reminded that the above deliverables are to be agreed by the DAS-SC before the end of 2022.
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Deliverable 1 : Agree an approach for the assignment of OTC ISINs under the current (ISO 10962:2015) CFI standard.

- The meeting **APPROVED** the following text for Deliverable 1:
 - The DAS-SC recommends that OTC Derivatives with **Investment Token** underliers should be classified using the ISO 10962 (CFI) category appropriate to the underlier.
 - The DAS-SC recommends that ISINs and UPIs for OTC Derivatives with an Investment Token underlier should be input using the identifier currently specified in the ISIN and/or UPI definition for that product.
 - The DAS-SC recommends that OTC Derivatives with **Referential Token** underliers should be classified using the ISO 10962 (CFI) category for Commodities.
 - The DAS-SC recommends that ISINs and UPIs for OTC Derivatives with a Referential Token underlier should be input using a Commodity Reference Price of “OTHER”.
 - The meeting discussed the precise definition of Investment Token and Referential Token and the following definitions were proposed:
 - **Investment Token**: A digital asset token that represents an instrument (either on-chain or off-chain) that has an ISO 10962 (CFI) category of Equity (E), Debt Instrument (D), Collective Investment Vehicle (C) or an Entitlement (R).
 - **Referential Token**: A fungible digital asset token that is not classified as an Investment Token.
 - **DSB Action**: DSB to email members of the DAS-SC for their views on the proposed definitions of Investment and Referential Tokens.
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Deliverable 2 : Recommendation for the identification of Digital Assets as underliers to the UPI / OTC ISIN.

- The meeting **APPROVED** the following text for Deliverable 2:
 - The DAS-SC recommends the use of ISINs to identify **Investment Token** underliers within the UPI product specifications.
 - For **Referential Tokens**, the DAS-SC recommends extending the Commodity Reference Price enumerated list to include specific digital assets and to include the DTI of the asset against each item, eg: “4H95J0R2X”.
 - Please note that the presented text was amended to specify that the DTI of selected Referential Tokens should be added to the Commodity Reference Price enumerated list.
 - It was suggested that the code/name of the Referential Token could be included in the name displayed in the DSB GUI dropdown – e.g.: “4H95J0R2X (BTC)” in order to assist manual entry.
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- The meeting **APPROVED** the proposal for a sub-set of Referential Token DTIs to be added to the Commodity Reference Price enumerated list (based on trading volumes / market capitalization and approved for inclusion by the DSB PC).
 - The meeting supported the longer-term aim for all Referential Token DTIs to be supported through a dedicated Underlier ID Source rather than as entries in the Commodity Reference Price enumerated list. This would allow for broader support of digital underliers based on a discrete underlier.
 - The meeting **APPROVED** the recommendation for UPIs for Commodity Derivatives based on Referential Tokens to be input with the following ISO 20022 values (in order to maintain regulatory validity):
 - o Base Product: **OTHER**
 - In additional, the OTC ISIN for Commodity Derivatives based on Referential Tokens would be input with the following ISO 20022 values:
 - o Transaction Type: **OTHR**
 - o Final Price Type: **OTHR**
 - The PC suggested that, in the longer-term, an extension to the values supported by ISO 20022 would need to be discussed in order to allow specific support for Referential Tokens.
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Deliverable 3 : Industry guidance for a common approach to the classification of Digital Asset based OTC Derivatives.

- Not discussed.
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Deliverable 4 : Recommendation for amendments to ISO 10962 (CFI) for the classification of Digital Assets.

- The meeting **APPROVED** the following text for Deliverable 2:
 - o The DAS-SC recommends that support for Digital Assets within ISO 10962 (CFI) should be referred to the CFI Discussion Group (ISO/TC 068/SC 08/MA 05 (Discussions)) for consideration.
 - The meeting provisionally agreed to extend the above text to include a recommendation that, in the longer-term, Referential Tokens should be included as a separate Group within Referential Instruments (T) category of ISO 10962 (CFI).
 - The meeting argued that:
 - o Without a separate classification, Referential Tokens would need to rely too heavily on values of “M” (Other) or “X” (Unknown) within existing categories and that this would hamper the ability of the regulators to identify digital assets.
 - o The introduction of a new ISO 10962 (CFI) Category (e.g.: Crypto-Assets) would result in the classification of Investment Tokens and Referential Tokens within that group – which would run counter to the previously agreed approach (see Deliverable 1 above).
 - o The introduction of a new ISO 10962 (CFI) Group within the Referential Instruments Category provides a suitable classification of a new class of assets that will require separate regulatory treatment.
 - **Action:** DSB to email members of the DAS-SC for their views on the recommendation for CFI classification of Referential Tokens.
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Next Steps

The next meeting of the DAS-SC will include:

- A review response to the email request for input on definitions and long-term CFI changes.
- Further discussion on Deliverable 4 (Recommendation for amendments to ISO 10962 (CFI) for the classification of Digital Assets).

AOB

N/A

Respectfully submitted,

DSB Secretariat

Minutes Approved on: 6/12/2022

Summary of Open Actions**Owner****Target
Date**

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| 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 email members of the DAS-SC for their views on the proposed definitions of Investment and Referential Tokens | DSB | 06-Dec-22 |
| 007 | DSB to email members of the DAS-SC for their views on the recommendation for CFI classification of Referential Tokens | DSB | 06-Dec-22 |
