

DERIVATIVES SERVICE BUREAU

PRODUCT COMMITTEE 2021/22

DIGITAL ASSET STRATEGY SUB-COMMITTEE

19th July 2022

MEMBER FINAL V01

Agenda

1. Introduction & Agenda (Standing Item)
2. Competition Law Reminder (Standing Item)
3. Welcome
4. Terms of Reference
5. Definition of Terms
6. Scope
7. Next Steps
8. AOB

Competition Law Reminder – I of II

The purpose of this protocol is to remind attendees of Derivatives Service Bureau (DSB) Limited (“DSB”) Digital Asset Strategy Sub-Committee (DAS-SC), 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.

The DSB is committed to compliance with Competition Law and advises that all participants follow the guidance set out below in order to ensure that all meetings remain in compliance with Competition Law.

1. 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
2. Attendees must stick to the prepared agenda during the meeting and avoid discussion about other topics
3. 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)
4. 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)

Competition Law Reminder – II of II

5. The Designated DSB Officer (“DDO”) will take minutes of the meeting, and supply these to each attendee in due course.
6. 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 DDO, 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 such situations must be properly recorded in the minutes.
7. 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.
8. Similar principles should be observed for any group email exchanges or other online group discussions operated by DSB, including those pertaining to PC matters.

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.

Background

In response to a number of industry queries and discussions, members of the PC expressed the view that the PC would be an appropriate forum to take a lead in defining a common approach to some key aspects of digital asset reporting and would be able to the catalyst to help both regulators and industry move forward.

At the PC meeting 14th June 2022, members of the PC agreed to the formation of a Digital Asset Strategy Sub-Committee to lead the discussion on how the industry should support digital assets.

Logistics

- Coordinator / DDO: DSB Secretariat
- Format : Microsoft Teams
- Frequency : Fortnightly
- Time / Day : Tuesday 10 am (EST), 3 pm (UK), 4 pm (CET)
19th July > 2nd August > 16th August > 30th August etc...
- Duration : 90 minutes

Other Points

The Sub-Ctee can invite new external participants if nominated by a member of the DSB Product Committee.

Maximum of two members from any organisation.

DAS-SC

Members and Invitees

First Name	Last Name	Organisation	PC
Andrew	Bayley	International Swaps and Derivatives Association (ISDA)	Observer
Joseph	Berado	ICE / NYSE	Co-Chair
Alex	Chow	The Investment Association (IA)	
Stephan	Dreyer	Association of National Numbering Agencies (ANNA)	
John	Graham	Futures Industry Association (FIA)	
Dawd	Haque	Deutsche Bank	Member
Lisa	Iagatta	International Securities Association for Institutional Trade Communication (ISITC)	
Harry	McAllister	BNP Paribas	Co-Chair
Alex	McDonald	European Venues and Intermediaries Association (EVIA)	
Dianne	O'Boyle	International Securities Association for Institutional Trade Communication (ISITC)	
Jean	Obray	Financial Conduct Authority (FCA)	Regulator
James	Oswald	Morgan Stanley	
Gregg	Rapaport	DTCC	Member
Tom	Soden	Financial Conduct Authority (FCA)	
Lisa	Taikitsadaporn	FIX Trading Community	Observer
Mark	Wetjen	FTX US	

Objective

To agree an industry approach to the assignment of globally consistent and unique UPIs based on a common methodology for the classification and identification of digital assets – focused on (but not limited to) their use as underliers to OTC derivative products.

Scope / Priority

To be agreed (agenda item 6)

Deliverables

The Sub-Committee is expected to deliver the following artefacts before the end of 2022:

- Recommendation for amendments to ISO 10962 (CFI) for the classification of Digital Assets.
- Agree an approach for the assignment of OTC ISINs under the current (ISO 10962:2015) CFI standard.
- Recommendation for the identification of Digital Assets as underliers to the UPI / OTC ISIN.
- Industry guidance for a common approach to the classification of Digital Asset based OTC Derivatives.

Today's Aim

- Agree definition of main terms / vocabulary
- Agree scope and priority
- Agree next steps

DAS-SC

Members and Invitees

A living list to be used as a common vocabulary for the discussions of the DAS-SC.

The list does not aim to be exhaustive or to reflect any regulatory definitions or taxonomy – it exists simply to facilitate communication within this group.

Please feel free to suggest additions and other subjects within the space where a glossary would be useful.

Term	Meaning	Example	Alternative
Digital Ledger Technology	Commonly used to refer to the Digital Ledger on which the Digital Asset is recorded.	Solana, Ethereum	DLT, Blockchain
Digital Asset	A generic term for tokens or assets that are recorded on a DLT.		Crypto-Asset
Protocol Token	DLT-native mediums of exchange used for payments / rewards in securing a DLT.	BTC, ETH, SOL	Crypto-Currency
Stable Coin	Digital Assets that are redeemable on demand (1-to1) with a Fiat Currency.	USDA, DAI, UST	Payment Token
Utility Token	A generic term for a Digital Asset that grants the holder access to services or products.		
Access Token	- A Utility Token that provides access to a digital service.	AAVE, CRV, WBTH	Utility Token
Asset Token	- Utility Tokens evidencing ownership of a tangible or intangible (but non-DLT) asset.		Ownership Token
Security Token	- Utility Tokens providing rights / obligations akin to specified investments (eg: Equity, Bond etc.).		Investment Token
Governance Token	- Utility Tokens providing means or rights to participate in the governance of a digital service.	MKR, UNI	
CBDC	A Central Bank Digital Currency – not necessarily based on DLT	eYuan, e-Naira	
NFT	Non-Fungible Digital Token	Cryptopunks, Apes	

DAS-SC

Scope & Prioritization

The DSB proposed that the DAS-SC should focus on actively traded or near-term pipeline products in the initial phase.

In order to arrive at a list of high priority products, the group is asked to answer the following questions:

OTC Derivative Characteristics

- What OTC Digital Asset Derivatives are currently being traded?
 - **Swaps** : What is the behaviour of a Digital Asset Swap?
 - **Options** : Is there any difference between a Digital Asset Option and any other OTC Option?
 - **Forwards** : Are Digital Option Forward payouts based on Forward Prices, Cash for Difference or Spreadbets?
- Which is the most usual form of OTC Digital Asset Derivatives delivery / settlement? Physical, Cash or Other?
- Which Trading Desks are commonly responsible for trading OTC Digital Asset Derivatives? Which ones?

Digital Asset Underlier Characteristics

- What Digital Asset Underliers are most frequently used as the basis for OTC Derivatives?
- What type of OTC Derivative is associated with each type of Digital Asset?

Action : Agree next steps for the Digital Asset Strategy Sub-Committee

A O B