

DSB PRODUCT COMMITTEE MEETING MINUTES

Meeting: The 67th DSB Product Committee Meeting

Date: 10-Apr-2018 **Time:** 15.00 – 16.30 BST **Location:** Teleconference

Chairperson: Sassan Danesh, DSB

In attendance:

Committee Members Peter Gratwick, JP Morgan Tia Ellerman, Citi Michael Bauch, Allianz Global Investors Bill Stenning, Société Generale Ayala Truelove, Tradeweb	Regulators (Observers) Takahiro Onojima, JSDA Eiichiro Fukase, JSDA Robert Stowsky, CFTC
ANNA Board (observer) Emma Kalliomaki, DSB	DSB Secretariat / PMO Nathan Dagg, DSB Malavika Solanki, DSB

Apologies: Trevor Mallinson, Bloomberg
Stephen White, Fidelity
Joseph Berardo, Intercontinental Exchange
Danielle Wissmar, GSAM

Absences:

No	Topics
1	Open Actions <ul style="list-style-type: none">• Action 153: No update, remain open• Action 189: No update, remain open• Action 190: Secretariat to publish Challenge Process document for industry consumption. Item being further review operationally in the DSB. Aiming for publication on 1st May. Remain open.• Action 197: PC members to provide the DSB with business cases for the use of ISINs referencing the current SONIA FpML value and cases where ISINs reference the new SONIA FpML value post the 23rd April 2018. Closed.
2	SONIA Index Reform – Update <ul style="list-style-type: none">• The DSB provided an update on discussions held on 9 April with the Bank of England (BoE) and Financial Conduct Authority (FCA) in which no guidance was received by the DSB but there was a discussion on whether DSB implementation timelines could be brought forward• Members reviewed the existing implementation timelines based on the PC decision of 3rd April and ISDA's confirmation of the approach for FpML received on 5th April, which were based on the following core principles:<ul style="list-style-type: none">○ PC to have the relevant information to provide informed view on the requirements○ Industry to have adequate time for implementation once the changes are available○ Delivery timelines consistent with ensuring stability of the platform given the divergent industry integration models with the DSB

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- The DSB confirmed that there was a risk to DSB stability from some users' error handling, which could result in activity patterns similar to a denial-of-service attack on the DSB infrastructure if such users do not upgrade to the new SONIA schema in a timely manner. The impact to DSB users could include a DSB outage or impairment of users' ability to create and/or search for ISINs for a period of minutes or hours until the errant users were identified and disconnected from the system.
 - Members recommended switching off such users so that users without such problems could go live at an earlier timeframe
 - Based on open questions from the discussion with the BoE / FCA, members were asked to express their views on the first question regarding ISINs being generated between 23rd April and the DSB implementation of 'new' SONIA as to whether these ISINs will be considered to relate to the 'new' SONIA and would require amending/updating once the 'new' SONIA templates are available
 - Members agreed that not having the correct ISINs on 23 April would cause significant issues for industry, regardless of any mitigation that could be put in place, and that the focus of all stakeholders should be on how to accelerate the implementation timelines of the new ISINs. Therefore, Members focused on how to accelerate the DSB implementation timelines.
 - Options provided by Members included
 - Utilising the old ISINs until the new ISINs became available, but Members were concerned that once these old ISINs were utilised, then migrating them to new ISINs after the event would prove difficult for both industry and regulators and would increase confusion all round
 - Continue to trade, but not report such instruments, but Members felt the regulatory risks on venues and trading venues would be very high. One member also observed that many systems now assumed the ISIN existed, so this model may be operationally difficult to implement
 - Not trade such instruments until the new ISIN was available, but Members saw this as highly unrealistic given the requirement to service market needs
 - Ask BoE to delay SONIA start date from the current 23 April to align with DSB ISIN go-live date
 - There was general consensus that all of the discussed options were unsatisfactory, or in the case of the final option, unlikely
 - Members explored the implications of compressing the DSB implementation timelines
 - Could separate environments be created (one old and one new) in order to allow faster Members to connect without the DSB having to wait on the majority of users to upgrade their systems? The DSB feedback was that such an architectural change could indeed be performed but not to the existing timelines as any significant system change would require its own testing in DEV, QA, UAT and PROD.
 - Could less testing be performed by both DSB and industry? The DSB feedback was that this was possible at the expense of increasing the risk to system stability
 - Could the documentation and templates be released in parallel to internal testing? The DSB response was yes, but with increased risk that subsequent testing might result in a need for a change to the documentation & templates which then both DSB and industry would need to adopt in super-aggressive timelines
 - Could UAT be brought forward by reducing internal DSB testing? The DSB feedback was yes, although at the expense of greater risk to the stability of the DSB UAT system (due to the denial-of-attack characteristics mentioned earlier) as well as the risk that documents and templates would be of lower quality
 - Could UAT duration be shortened? The DSB feedback was yes, although at the increased risk that some users would not be ready for PROD and therefore the DSB may experience the denial-of-service style activity mentioned earlier.
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- Members all agreed that the best option would be for the ‘new’ SONIA to be live for 23rd April even if this required industry and the DSB to accept significantly higher implementation risks in order to accelerate the timelines.
- Members recommended that the DSB set a date and mandate that all firms must implement the changes on the set schedule
- Members noted that the implications of delay to the 23rd April date were serious enough that the DSB should take a more than modest level of risk in order to achieve the earliest possible implementation date. Members recommended seeking regulator guidance to reinforce the PC recommendation and to assist with its communication.
 - **Action 198:** DSB to revise the implementation plan to show the earliest possible go-live date (ideally by 23 April), even at the expense of significantly higher implementation risks for industry and the DSB
 - **Action 199:** DSB to seek regulatory guidance and support for revised implementation plan showing the earliest possible go-live date (ideally by 23 April), even at the expense of significantly higher implementation risks for industry and the DSB
- Members moved on to provide their view on the second question that resulted from the DSB discussion with BoE / FCA:
 - *“Ramifications or broader implication for trading, settlement and clearing of the new ISIN implementation timelines”*
- There was general consensus that this was hard to quantify given the newness of the MiFID II regulatory environment. Members were unsure of the impact of not having an ISIN in such an instance would mean for venue based trading, as infrastructure has been built around having an ISIN available from execution through to trade and transaction reporting. Members also noted that industry had insufficient time to create internal mappings between the two versions of SONIA as a possible interim solution, with most having already locked down their development cycles for the upcoming change
- Members provided their view on the third question that resulted from the DSB discussion with BoE / FCA:
 - *PC view on what sort of communications it would be helpful to issue and to whom (and, who should issue them) in respect of the above?*
- Members agreed that the DSB should communicate the ISIN approach as soon as possible and also seek regulatory assistance and guidance if possible on accepting higher risk for shortened delivery timelines
- Members agreed to introduce the business rule to reject the creation of new instruments referring to the Sonia if the instrument has an expiry date prior to 23rd April 2018
- Members were reminded of the need to review minutes of this meeting on an expedited basis, to allow the DSB to communicate with key SONIA stakeholders and also inform industry of the intended approach

5 ISDA/FpML to ISO mapping Taskforce – Update

- Item not discussed due to lack of time. Held over.
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6 AOB

Respectfully submitted,

DSB Secretariat

Minutes Approved on: 13-Apr-18

Summary of Open Actions

No	Actions	Owner	Target Date
153	DSB PC to continue to conduct bilateral discussions with vendors and index providers to enhance the enumerated Equity index list	DSB Sec	31-Mar-18
189	DSB to continue discussion with Commodity index providers with the aim of having an agreed design and an agreement in principle by end of Q3. Smaller milestones to be made available to PC over coming quarters to track progress	DSB Sec	Q3
190	Secretariat to publish Challenge Process document for industry consumption	DSB Sec	01-May-18
198	DSB to revise the implementation plan to show the earliest possible go-live date (ideally by 23 April), even at the expense of significantly higher implementation risks for industry and the DSB	DSB Sec	17-Apr-18
199	DSB to seek regulatory guidance and support for revised implementation plan showing the earliest possible go-live date (ideally by 23 April), even at the expense of significantly higher implementation risks for industry and the DSB	DSB Sec	17-Apr-18