

DSB TAC MEETING MINUTES

Date: 12 August 2019 **Time:** 13.00 – 15.00 UTC **Location:** WebEx/Teleconference

Chairperson: David Broadway

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| 1 | In attendance: | TAC Members David Broadway, The IA (Chair) Marc Honegger (Sponsor) Andrew Poulter, Standard Chartered Bank Chris Pulsifer, Bloomberg LP Elodie Cany, Tradeweb Felix Ertl, BVI James Cowie, HSBC James Brown, Rabobank Nadav Krispin, JP Morgan Lisa Taikitsadaporn, FIX Rajkamal Roka, State Street FX Connect Tony Chau, UBS Zintis Rullis, Thomson Reuters MTF | DSB Sassan Danesh (Designated DSB Officer – DDO) Andy Hughes (TAC Secretariat) |
| | Apologies | Shari Lines, Morgan Stanley Stephan Schaub, SIX Group Services AG Vincent Dessard, EFAMA Henrik Martensson, SEB Paul Everson, FCA | |
| | Absences: | Kimberly Cohen, State Street Bank Rocky Martinez, SmartStream Ziv Yankowitz, Nex David Bull, Thomson Reuters Data Souvik Deb, Citigroup Aanya Madhani, Simplitium Prem Ananthakrishnan, Credit Suisse Karel Engelen, ISDA | Regulatory Observers Stephen Pond, Lloyds Bank Jimmy Chen, BGC Partners Martijn Groot, Asset Control Jim Northey, Independent Expert Eiichiro Fukase, JSDA Olga Petrenko, ESMA Robert Stowsky, CFTC |

No Topics (recording time)

1 Welcome (00:00:00)

The chair welcomed the TAC members and wider industry participants to the TAC.

2 Roll Call (00:00:55)

The TAC Secretariat undertook the roll call.

3 Introduction (00:01:39)

The Chair described the agenda, explaining that this is the second of the two additional TAC calls, to tie in with the DSB's 2nd industry consultation paper which will lead to the publication of the final report in a week's time.

The Chair invited the members to comment on the agenda, there were no comments.

4 2020 Consultation Topics under Consideration (00:04:17)

Overview Slide 5

The DDO discussed the overview slide. The format is similar to the pack presented in the previous TAC meeting, with the aim being to standardise where possible. The DDO invited the TAC members to provide any feedback to improve the pack.

The DDO advised there were a couple of new questions which require TAC consideration given the potential implementation costs.

The Chair reminded members that the TAC was not looking at every question in the consultation, but just purely on the Technology/delivery related questions.

The DDO invited the TAC members to provide any feedback, there was no feedback received so moved on to the next slide.

Slides 6 – 12 – Functionality (00:07:22)

The DDO stated that, based on industry feedback, the DSB was minded not to implement any functionality that had a cost impact but rather to focus on further analysis, to include cost and benefits, the results of which will be brought back to the TAC for a decision on next steps.

The Chair summarised that there might be subsequent implementation in 2021, and this might be rolled into subsequent year's consultation process with the additional information.

The DDO advised that the Capex was for the build and Opex for the running of the service. The DDO advised that the user base does not pay for any build costs in the year that they occur, the build costs are amortised over 4 years from the time the functionality goes live. This was why the figures were split out across the years.

Q1 CFI Generation Service (00:12:18)

The DDO explained that summarising industry feedback required some subjectivity and encouraged the TAC members to return to the raw data for any items that might be considered controversial. The DDO advised that the DSB did not focus purely on the numbers of supportive or negative comments. The DSB also focuses heavily on the detailed comments provided in order to extract the most value from the feedback received.

The DDO noted that trading venues are generally more focused on the cost of the service and prefer no increase in the cost base. Investment firms and some other trade associations appear more focused on cost effectiveness, increasing the quality of the data, and refinement of services.

Given this general feedback, the DSB's proposal is to undertake no new implementation that has a cost impact to the service but instead focus on analysis that includes the costs and benefits, so that the TAC and broader industry can assess and provide feedback on the value proposition as part of the decision-making process.

The DSB proposes to provide the TAC (and where appropriate the PC) with a Terms of Reference (ToR) for such analysis to provide further clarity on the scope of the analysis.

The Chair reiterated that there is no implementation at this stage. Further analysis will take place for the TAC to review and we will then to bring back to the table.

The DDO advised that we have received offline feedback from SL (Morgan Stanley):

AH (DSB) read out comments from SL (Morgan Stanley) - SL agrees to point 2 in the response, that's having a golden source brings consistency across the market and she would like to see buy in from regulators as well as confirmation of the classification scheme in the UPI space.

The DDO said that the DSB would draft the ToR to include understanding the requirements around the CFI and the regulatory community's use of it.

CP (Bloomberg) said that the regulatory input is a key point, who should be the CFI golden source, some confusion with people interpreting this in their own ways, its not clear who should own the golden source.

The DDO stated that the draft ToR would be drafted to capture this point and noted that ISO might be a relevant additional organisation that may have input as well – the CFI being an ISO standard and given the strong link between the CFI and the ISIN.

The Chair advised that ISO 10962 makes a clear statement that where an instrument has an ISIN then the official CFI should be the one that is assigned by the ISIN assignment agency. In the case of OTC derivatives, the code assigned by the DSB is the official version.

The DDO advised that the scope of the CFI service under discussion potentially covers EMIR level 3. The key takeaway is that the ToR when drafted will include the requests for both regulatory clarification and ISO clarification.

Q1 GUI Functionality (00:24:33)

The DDO advised that this item was discussed at the first TAC meeting, CP2 proposed a more focused GUI enhancement around search functionality as per previous TAC feedback. Specifically, the originally proposed bulk functionality was not taken forward given TAC feedback that the API should be used for this use case. The DDO noted that consultation responses supported performing the analysis on the basis of providing further details on the functionality and the costs and benefits.

The DSB proposes to draft a ToR for circulation to the TAC and the PC with a scope that includes the requested details.

EC (TradeWeb) asked if the DSB has considered asking the users what the top 10 search functionality items would be?

The DDO advised that the DSB had received this feedback during the first consultation and expects to work with users to refine the correct set of search parameters, e.g. distinguishing where an ISIN forms part of the underlier.

CP (Bloomberg) the biggest concern in the power user side is there has been a higher fee for power users and if the GUI starts to approach the same level of functionality then there is a question of equity based on how much money has been put in by the various user levels and what functionality they are getting.

Simple common-sense changes that do not require major enhancement of functionality would be supported.

The DDO advised that this level of feedback would be very helpful in refining the analysis. The DDO then asked if there was any feedback from SL (Morgan Stanley):

AH (DSB) read out feedback from SL (Morgan Stanley) who agreed with all of the points and said it was a good balanced response. She thought that we should define the purpose of the GUI e.g. Analytics or operational debugging and ensure that the GUI remains a human user interface only and is not a bypass to building a service.

The DDO said that we should add to the ToR the purpose of the GUI to provide clarity on this point.

Additional Enhancements (00:35:40)

The DDO advised that the DSB will treat the 3 specific additional enhancements as within the business-as-usual processes of the DSB and will bring a proposal for implementation to the TAC for review.

Slides 13 – 15 – Data Submission Enhancements (00:38:12)

The DDO noted that consultation feedback was broadly supportive, but with some specific negative comments that needed to be addressed.

The DDO proposed to ensure that the ToR for the analysis would capture the points made in the negative feedback so that the analysis could clarify how these points could be addressed or mitigated.

The DDO invited comments, there was one previously supplied from SL (Morgan Stanley):

AH (DSB) read out SL's comments - Shari was unclear on the specific use-case, there are many potential LEI-ISIN relationships, entity issues, products, product underlier as an entity and connecting the data could be very useful in the analytics space. However, CDS templates already facilitate LEI underliers and I don't foresee specific active use-cases for this data.

The DDO said that one of the challenges with CDS data quality is that it is possible for someone to create a Corporate CDS but supply an LEI for a government entity even though it is a Corporate CDS as product type. Today the DSB is unable to validate such scenarios because the data elements such as LEI have external reference data associated with them that are not linked to the ISIN data.

The DDO proposed that the ToR should include the use cases such as the above that the analysis is expected to solve.

No further comments were received.

Slides 16 – 20 – Service Levels (00:44:12)

The DDO asked if there were any offline response from SL (Morgan Stanley):

AH (DSB) read out SL's comments – Shari agreed on all points, potentially useful to only a small number of clients, do we have an idea as to how often the threshold are breached?

The DDO proposed that the DSB would investigate whether it was possible to provide some metrics around threshold breaches. This will be added as a future TAC agenda.

There were no further comments.

Slides 21 – 23 – Service Availability (00:51:30)

The DDO noted that all replies were in favour of the DSB's proposed approach. The DDO proposed to work with the TAC to finalise a date for implementation of the change of service hours, the Chair advised that we should do this via the bulletin board forum.

CP (Bloomberg) agreed with the approach to using the bulletin board and agreed with the approach to solving this problem which should have low impact.

AH (DSB) read out the feedback from SL (Morgan Stanley), Shari who agreed to all points and noted that for the larger institutions trade processing typically starts late Sunday evening/early Monday morning GMT in order to pre-cache before the start of Asia open.

There were no further comments.

Slides 24 – 32 – Cybersecurity (00:56:48)

The DDO noted that the responses for the GUI Multi-factor authentication question were evenly split, but clearly a lot of thought had gone into the some of the comments. On balance, after digesting all comments, the DSB proposed not to progress this proposal because the approach was a point solution to a specific problem only (how do we harden the GUI?) whereas all the remaining cyber-security proposal related to process and governance, which appeared to be a higher priority for both industry and the DSB.

The DDO proposed to put the GUI question on the TAC backlog and return to it at a future date once the right cyber-security processes and governance was in place.

AH (DSB) read out feedback from SL (Morgan Stanley). Shari said she was neutral on MFA and the implementation specifics but would suggest that sufficient measures should be in place to a) protect the GUI

from Bots & Spam and b) protect the GUI from having any impact on master data, both corruption and load/performance.

The DDO advised that the DSB was relying on re-captcha to address the areas highlighted by SL, especially in terms of bots, spam and system load/performance.

There were no further comments.

The DDO moved on to Secure SDLC **(01:03:28)**

The DDO advised that the key question for the DSB was the extent to which the DSB should adopt cyber-security standards such as ISO 27034 and NIST.

The DSB noted that most consultation feedback was in favour of proceeding with analysis. The DSB therefore to move ahead with the analysis and will create a draft ToR for the analysis for TAC review.

There were no further comments.

The DDO moved on to slide 29 – ISO2700X **(01:07:14)**.

The DDO reminded members that the ISO2700X standard concerns all cyber-security matters, including e.g. addressing cyber-attack risks that may take down the system. i.e. it is not just about protection of data but includes protection of the operation of the service.

The DDO noted that the feedback included consideration of other standards and proposed to include consideration of NIST as an additional complementary standard.

The Chair asked if there was a relationship between the estimates for this analysis and the secure SDLC analysis.

The DDO confirmed that each was a separate costing, based on a time-boxed analysis that allowed appropriate detail to be created for TAC review.

There were no further questions or comments

Slide 31 – Chief Information Security Officer **(01:12:55)**.

The DDO noted that one industry comment suggested a time-limited hire to allow the TAC to review the benefits of the CISO structure. The DDO stated that the DSB welcomed this suggestion and proposed to provide a one-year check-point review by the TAC to allow an informed decision on the optimal future model.

AH (DBS) read out the feedback from SL (Morgan Stanley), Shari said that these are valid comments from industry, but it might be worth posting a short-term contract to perform a security risk assessment covering access, technical risk and corresponding impact.

CP (Bloomberg) Felt that the role is important, especially in the regulatory world that there is a clear delineation and recognition of the role and the title. The concern is that some of this work was already going on and was being handled elsewhere – so clarity was required on the incremental resource requirements

The DDO advised that the existing DSB focus on cyber-security is currently reactive, primarily driven by the annual penetration test that is performed by a third-party. The DSB intends to use the new role to ensure ring-fenced and dedicated time on cyber-security, separate from other day to day operational issues. The DSB understands the importance of transparently accounting for the additional resource and proposes that the incremental efforts of the CISO are captured and provide as a report to the TAC.

CP (Bloomberg) There is a getting the house in order aspect to this and making sure the governance is in place. Perhaps once they are in place, they may not require the same effort to maintain. There is not enough clarity as to what is/isn't being done and how that translates to the proposed staffing.

The DDO agreed and proposed to make the delta that we just talked about an explicit part of the remit of the CISO to build that part of the report and to report to the TAC directly.

There were no further questions or comments.

The DDO thanked the TAC for their time and support.

5 AOB (01:21:00)

The Chair asked if there was any other business.

There was none received.

6 Meeting Summary

The Chair brought the meeting to a close, noting that the next scheduled meeting is the 9th October.

The Chair advised that we are likely to discuss some of the ToR's relating to the analysis discussed today at the next meeting.

The Chair suggested that we should also scheduling the two Industry Consultation meetings into the 2020 TAC meeting schedule instead of making them ad-hoc meetings.

The Chair thanked everyone for their participation. The meeting then closed. **(01:23:35)**

7 Actions

The following new actions were recorded during the meeting:

- DSB to see if they can provide some metrics around the number of times the AUP thresholds are breached and to place this on the website. Findings to be presented back to the TAC.
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Respectfully submitted,
DSB Designated Officer.