

DSB TAC STRATEGY SC MEETING MINUTES

Date: 6 February 2018 **Time:** 13.00 – 15.00 UTC **Location:** Teleconference

Chairperson: David Broadway

1 In attendance:	TAC Members David Broadway, The IA (Chair) Elodie Cany, Tradeweb Tony Chau, UBS Karel Engelen, ISDA Felix Ertl, BVI Shari Lines, Morgan Stanley Rocky Martinez, Smartstream Andrew Poulter, Standard Chartered Bank Chris Pulsifer, Bloomberg LP Stephan Schaub, SIX Group Services AG Lisa Taikitsadaporn, FIX	DSB Marc Honegger (Sponsor) Sassan Danesh (Designated DSB Officer - DDO) Andy Hughes (TAC Secretariat)
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Apologies Eugene Eltsufin, JP Morgan
Kimberly Cohen, State Street Bank

Absences: Souvik Deb, Citigroup

No Topics

1 Welcome

The Chair welcomed the members to the first meeting of the TAC Strategy Subcommittee (TAC SSC) in 2019 and described the overall approach to the pack which the DDO will run through during the meeting.

2 Roll Call

The TAC Secretariat undertook the roll call.
The DDO thanked the Sponsor for his continued support with this forum.

3 Introduction

The DDO advised that the meeting will run through the pack that was sent out to the subcommittee members at the start of the week.

4 Objectives and Scope

The DDO advised that there were a number of outstanding questions and assumptions, some provided by the DSB and some as a result of feedback from the bulletin board. The objectives of the meeting are to review these in the context of the overall pack and to move the questions and assumptions forward ideally so that the DSB can commence work on the draft report.

Slide 5 – SG2 Analysis Summary

The DDO advised that this slide was used to set the scene at the last meeting and asked the committee if they had any additional comments. No comments were received.

Slide 6 – Key Assumptions

DDO advised that the Bulletin Board feedback had been incorporated into the assumptions which had been marked according to their source.

Assumption A1 – The DDO described the current ISIN creation process and this assumption suggest that the UPI could follow the same approach. The DDO asked the members if they were comfortable with this assumption or if it needs to be changed?

SL (Morgan Stanley) agreed this should be a working assumption but may need to change in the future.

CP (Bloomberg) agreed and commented that it is critical to streamline consumption to clients for both sets of data (ISIN and UPI).

The Chair observed that the outcome could be similar to the CFI, with the attributes within the ISIN request generating the UPI which is returned in the same way as the CFI is today.

DDO then referred to Slide 13 – the example shows that the UPI is also returned with the ISIN.

EC (TradeWeb) – Asked a question re: Assumption 5, more context where UPI provider is not the DSB, are you worried about the DSB having an external dependency within the ISIN creation workflow?

DDO – replied that if the UPI Service Provider (SP) provided a real-time subscription feed then the DSB would subscribe to this feed, which would mean the likelihood of not having the UPI would be low. The DDO noted the similarity to when industry populated the ISIN's upfront, in Q4 2017 instead of Jan 2018. The DSB could similarly pre-populate UPIs based on its ISIN dataset.

CP (Bloomberg) Asked what happens in the case where we need to create a UPI but the call fails?

DDO replied that DSB would ask industry, e.g. could reply within SLA with [just] ISIN information, retry at a later time, update when the problem is resolved. Alternatively, the information could be provided in the end of day file.

Chair - pointed to slide 12, which identified a case where the ISIN was returned without a UPI, suggesting that this might indicate that the UPI was pending. The workflow would then loop back to UPI creation repeatedly until the UPI was returned, when the ISDN record would be updated.

Assumption 2 – DDO advised that the DSB expectation is that the UPI creation should not be a blocker for ISIN creation. For example, DSB should not hang pending a UPI response. The DSB noted that a failed UPI call was likely to be a corner case.

EC (TradeWeb) – Agreed with reply from DDO but asked the DDO to elaborate on the corner case?

DDO mentioned the scenario where the DSB would pre-populate the UPI for every pre-existing ISIN. New UPIs would need to be created only for new products, not for each ISIN - the DSB has analysed the attributes driving the new ISIN creation and the biggest driver is Expiry Date. In this context, the UPI would be relatively static as Expiry Date is not part of the UPI.

SL (Morgan Stanley) – Advised this would be the same with strike price.

Chair – advised that the rate of issue of new securities which would form new underliers would require a new UPI as the underlier forms part of the UPI.

DDO – agreed, noting that fixed income securities have a limited life and therefore frequent issuance. Two other use cases observed recently were the new VES currency and the new SONIA reference rate – both of which impact both UPI and ISIN.

However, these were both pre-defined items and [in such a scenario] the DSB could liaise with the UPI Service Provider (UPI SP) to minimise the user impact.

SL (Morgan Stanley) – What would happen for some of the complex and cross-asset products? I don't recall seeing Misc., Complex or Other in the UPI, would this mean that rates, FX products may not have a UPI, or is it just they haven't got to this area yet?

DDO – clarified that DSB expectation is that over time the regulators will want to have a fully comprehensive set of products covering the ISIN and UPI. However, the timelines may not be in sync. Therefore, DSB assumption is that the UPI is not mandatory in the ISIN, but the Product Committee could analyse this on a template by template basis.

Assumption 3 – UPI should be created without the need for an ISIN. Should be able to create levels further up the hierarchy without being forced to create items lower down in the hierarchy.

CP (Bloomberg) – New instruments, tends to be a flurry of activity – but case should still be covered.

Assumption 4 – The product structure will be normalized

SL (Morgan Stanley) – Some Complex products can have deeply nested structures, but existing regulatory use cases require a flattened structure. Hence, assume we are not creating a nested hierarchy within the product (multiple levels).

DDO - Discussed in the past with regulators, and the DSB has no expectation of the existing flattened 2 level model changing.

Assumption 5 – An ISIN cannot be created without an implicit UPI

DDO – DSB Board remit of PC is to ensure the ISIN is a superset of UPI. This provides the possibility of always creating a UPI if industry decides that model is appropriate (barring the corner case already covered where a technical glitch stops the UPI generation)

Slide 7 – Issues

DDO turned to the summary of issues for the group to discuss.

Issue 1 – *How to have clarity on when ISIN or UPI can be used for a given workflow*

DDO referred to slide 9, workflows on the right-hand side, to highlight the set of workflows that have ISIN and UPI inter-dependency. The DSB expects to flesh these out with TAC input to provide clarity to industry.

SL (Morgan Stanley) – another working assumption, never edit an existing ISIN attribute – instead create a new ISIN.

DDO – agreed with the assumption and stated that the invariance of the attributes was accepted good practice and the DSB expects such a model to hold true for UPI as well.

A member [unidentified] asked a question – is this potentially two different subscriptions to receive ISINs and UPI?

DDO - The DSB expects this to be a TAC SSC discussion item. The DSB will draft a proposal based on TAC SSC input.

Back to issues

Issue 2 – UPI doesn't capture the full set of OTC derivative characteristics.

SL (Morgan Stanley) – elaborated on the issue, stating that there are no use cases today for such a detailed level.

DDO – agreed and stated that FRTB may provide a rationale – so may be worth investigating in the future.

A member [unidentified] said that FRTB does not necessarily require the user to identify the instrument but an identifier may be helpful regardless

Issue 3 – technical issues stopping UPI-ISINs from being clean

This item was covered under slide 6 Assumption 2.

Slide 8 & 9

DDO – Top section of slide 8 describes existing ISIN functionality in production. If DSB were to be the UPI SP, the DSB could just duplicate the same workflows for UPI, as per the bottom section of slide 8. However, some synergies across the two workflows and hence in practice may need a mixture of these workflows as shown on slide 9.

Chair – comments captured addressed the two possibilities. If the DSB is the UPI provider, you may want a UPI but you don't need an ISIN. Therefore, it is valid to ask whether a standalone option to request a UPI is worthwhile.

A member [unidentified] advised that it is difficult to answer until we know the outcome.

KE (ISDA) – advised it doesn't seem to work the other way around

DDO – stated that the DSB is assuming that the UPI should be capable of being created independently of any ISIN and the DSB hopes to come back with a proposed API to provide further clarity.

A member [unidentified] said, "Whatever level in the hierarchy a user requests, the DSB can also provide information above that level in the hierarchy but not below".

Slide 10

DDO – the slide shows how we see the changes that might be required to the ISIN record to accommodate the UPI. The left-hand side highlight shows the minimum amount of additional information. Non-highlighted text is in production today. What is interesting is that we are not showing the UPI as an attribute itself, like the CFI. Proposal shows this being in metadata – not a concrete attribute. However, the finalisation of such detail is for a future question to be posed/agreed.

The cost of doing this should be low. If industry is unsure of the best option, then the DSB could consider implementing the UPI as both meta data and concrete attribute as this would not be a large amount of information to be repeated.

SL (Morgan Stanley)– advised that time to market may be a consideration as well, which might mean that for the ISIN creation workflow a hop to get the UPI may not be desirable.

Chair – advised that the initial UPI use case in Europe is EMIR reporting which is T+1. Not part of FIRDS data that needs to be reported same day.

DDO – highlighted the additional questions on the right-hand side. The context for the questions is DSB assumption that if the DSB can provide the UPI data in a similar format to the ISIN data, then this could be of assistance to industry. Such an approach may mean a different header, but other fields likely being the same.

Chair – the fact you might have multiple parent levels might be illustrated - if UPI is at the first level above the ISIN, others might be tagged as "Level2", "Level3" etc. although this may be too granular at this stage.

KE (ISDA) – Comes back to DSB being the UPI SP. If it is then it makes sense to think in this way, if not, then we first have to think about who, and the service level. It might make more sense to limit the information to just the UPI.

Slide 11

DDO – explained that the purpose of this slide is to make explicit the assumptions that the DSB is working with in terms of the capabilities of the UPI SP, as this impacts the functionality that the DSB could provide.

It was noted that the assumptions may also be useful to the UPI SP.

DDO asked the members if there was anything on this slide that the members want to add to or change?

There was no further update.

Slides 12 - 17

DDO we are into the section of the pack that describes the set of use-cases to support the discussion.

Chair asked if any members require clarification on any particular use cases?

There were no requests for clarification.

DDO said that the use cases link back to slide 9, so you can see the detail.

*CP (Bloomberg) – Asked if it would it be possible to add to slide 12 an indication on how you would reconcile the bottom case – ISIN created without an UPI. **Action** DDO agreed to add a placeholder to show the need to reconcile the missing UPI.*

6 Proposed Output (Revisited)

DDO advised that the next meeting, is a meeting of the full TAC [on 13th March].

Planning on having a sync up with the Chair with a view to producing a status update to the full TAC at this meeting. This would be a summary of the status of the TAC SSC progress.

Chair – Would prefer the next steps for the SSC to be the creation of the draft report – easier to visualise

A member [unidentified] advised at this point would prefer to be evolving the finished product

KE (ISDA) - Agree – useful to make sure we are happy with the direction and to start to create the draft report

11 Meeting Summary

- DDO said that to recap, we will absorb the feedback, distribute the minutes. After this, produce the first draft version of the report.
- **The chair wrapped up the meeting by thanking the committee members for joining the call and for their contribution**

12 AOB

- *SL (Morgan Stanley) – noted that with respect to the combined PC/TAC tenor discussion that a 6-month delay had been announced by ESMA overnight.*
DDO confirmed the tenor delay and advised that the delay may allow the DSB and industry to focus on other activities such as the identifier hierarchy.

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- *CP (Bloomberg) – Asked if there were any updates from FSB?*
DDO – Advised that he had not heard of any public statement that can be shared.

Post-meeting note: the FSB has since published its [work programme for 2019](#), which indicates mid-2019 for selection of the UPI SP.

13 Actions

The following actions were carried over from the last meeting:

- ~~DSB to circulate the UPI Technical Specification to the TAC SSC Members~~
- ~~DSB to investigate sending TAC & TAC SSC diary invites from DSB instead of WebEx~~
- ~~DSB to send out invites to all subcommittee members for all 2019 meeting dates~~
- ~~DSB to investigate creating a TAC Secretariat for emails relating to the TAC / TAC SSC~~
- ~~DSB to investigate creating a TAC Secretariat email address~~
- ~~DSB to send an email advising members of the steps needed to receive notifications from the BB.~~
- ~~DSB to differentiate TAC emails from TAC SSC emails by using standard subject prefixes~~

The following new actions were recorded:

- DSB to add a placeholder to slide 12 to remind everyone of the need to reconcile the missing UPI
 - DSB to generate the first draft version of the report noting the preferences from the forum
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Respectfully submitted,
DSB Designated Officer.