

DSB TAC STRATEGY SC MEETING MINUTES

Date: 12 June 2019 **Time:** 13.00 – 15.00 UTC **Location:** Teleconference

Chairperson: David Broadway

In attendance: TAC Members

David Broadway, The IA (Chair)
Chris Pulsifer, Bloomberg LP
Lisa Taikitsadaporn, FIX
Shari Lines, Morgan Stanley
Karel Engelen, ISDA
Elodie Cany, Tradeweb
Tony Chau, UBS
Andrew Poulter, Standard Chartered Bank

DSB

Sassan Danesh (Designated DSB Officer - DDO)
Andy Hughes (TAC Secretariat)
Simon Wiltshire (PC Secretariat)

Apologies: Marc Honegger (Sponsor)
Stephan Schaub, SIX Group Services AG

Absences: Kimberly Cohen, State Street Bank
Eugene Eltsufin, JP Morgan
Felix Ertl, BVI
Rocky Martinez, Smartstream
Souvik Deb, Citigroup

No Topics

1 Roll Call

The TAC Secretariat undertook the roll call.

2 Welcome

The DDO described the DSB's plans for the creation of a UPI project Terms of Reference (ToR) as the first step to developing the DSB's UPI implementation plan and proposed that the SSC should create an interim deliverable which can be fed into the creation the draft ToR for review by the SSC.

The DDO proposed that once the ToR is finalised, the ToR can then be used as input into the next and final iteration of the SSC's report.

SL (Morgan Stanley) and CP (Bloomberg) agreed with the approach.

SL (Morgan Stanley) asked about engagement with CFI committee or ISDA.

KE (ISDA) advised that the representation on both the TAC and PC provides the necessary means for ISDA to engage operationally with the DSB, noting that the UPI governance framework will evolve following regulatory feedback.

The Chair advised from an ISO perspective, there is an overlap in the TAC SSC and the PC, also the ISO working group looking at CFI so there is interaction and cross-over. SC8 WG1 is working on the next development of the standard and a further advisory group has been formed to assist with the 2019 version of the standard.

The DSB proposed to create one further iteration of the report that captures the input from this forum, which could then form the basis of the interim report.

3 Document Review

1. Exec summary

The DDO noted that this section will be completed in the next iteration, as a summary of the content of the rest of the document.

2. Introduction

Section 2.2 contains some references to the selection of the UPI service provider. This will be changed to reflect the FSB GUUG decision to appoint the DSB as sole UPI service provider.

3 ISO TC68/SC4/SG2 Working Group

The DDO proposed to move this section to the Appendix. The introduction will make the point that we are continuing the work of SG2.

The Chair agreed this approach.

SL (Morgan Stanley) agreed – echoes original feedback and reads much better.

EC (TradeWeb) agreed.

CP (Bloomberg) agreed that this makes more sense as an appendix.

4 UPI and ISIN

CP (Bloomberg) suggested a change to the illustration, the UPI reference looks like an ISIN, so we should adopt a format which suggests it is different.

Action – DSB to introduce a different reference for the UPI so it looks different to the ISIN reference.

5 Workflows

Section 5.1 & 5.2

DDO explained that 5.1 and 5.2 are existing, 5.3 is new. Proposed to rename Section 5 as existing workflows and move 5.3 to its own top-level section e.g. 6, to make clear this section is for new or changed workflows.

CP (Bloomberg) Some confusion in 5.1.4, the graphic has an error, both exits are labelled as “no”, also confused why we are publishing on a search (page 20).

Action – DSB to investigate the points raised by CP.

EC (TradeWeb) re: 5.2, the chart explanation focuses on MTF – so excluding part of the industry in this chart.

The Chair asked whether at this high level, the flows could be similar amongst types of market participants?

SL (Morgan Stanley) Agreed that this is high level enough to apply to SI's as well.

Action – Remove 5.2b, alter the text in 5.2a and make it clear that we are covering all execution venues.

Other OTF specific workflows can be added.

SL (Morgan Stanley) proposed to remove references to transaction reporting, pre-trade & quoting as not that relevant given focus on ISIN / FIRDS.

EC (TradeWeb) asked whether other types of non-EU platforms, e.g. SEF, should be referenced to make the report more global?

LT (FIX) Advised that SEF's are not required to provide ISINs right now.

Action – remove the trade report and the APA from the diagram and make it clear that this shows the common use-case in Europe, but there may be other non-European business workflows either now or in the future.

SL (Morgan Stanley) agreed.

Section 5.3 – Proposed New

DDO advised that the DSB's default approach is to mirror the existing ISIN workflows when looking at the creation of the UPI workflows, in order to minimise the delta in effort for both users and the DSB.

The Chair noted that the reference to the UPI provider can be removed from the diagram.

Section 5.4

The DDO proposed to simplify this section by adopting the same reconciliation mechanism used by the ISIN. If UPI needs a different reconciliation approach, then the TAC SSC could look to do so for *both* the ISIN and the UPI thus standardising the reconciliation mechanisms for consumers and the DSB across both ISIN and UPI.

CP (Bloomberg) agreed in principle with the single approach but suggested that the expected size of the databases be considered, in case any size difference were to warrant a different approach.

The DDO explained that detailed analysis had not been performed, but with the expiry date not being part of the UPI definition, the UPI database size could easily be a factor of 10 to 100 less than the size of the ISIN database.

CP (Bloomberg) agreed and thought the factor may even be as much as 1000. Hence, while like the idea of consistency there may be enough of a difference to warrant a different approach.

The DDO commented that 1000-fold reduction might allow the DSB to move away from delta files to providing full snapshots.

The Chair also noted that the UPI database is expected to be less dynamic in number of UPIs being created on an on-going basis.

CP (Bloomberg) agreed and stated that the delta files for UPI could be really small.

CP (Bloomberg) stated that BBGI expectations is to reconcile nightly with any internally maintained caches.

The Chair noted that the existing section 5 did not provide an explanation of the ISIN reconciliation mechanism and for the sake of consistency, it would be useful this information.

The DDO agreed.

Section 5.5

The Chair proposed to rename the title to be explicit that the descriptions are about the combination of UPI & ISIN workflows.

The DDO agreed and said that 5.3's title needs to change as well. Keep the levels as ISIN and UPI.

KE (ISDA) – Noted that every ISIN is expected to contain a UPI and asked how this will impact the descriptions

The DDO advised that section 5.5 is describing the workflow to return both the ISIN record and the entire UPI record rather than just the UPI identifier.

The Chair proposed expanding on the wording to make this distinction clear.

EC (TradeWeb) Asked about efficiency – some consumers may need only UPI's. Are we sure that those who need an ISIN will need a UPI?

The DDO advised that we can take this to ESMA if required to clarify but clear the other way that we know that some may only want a UPI.

Action DSB to confirm if a UPI is always required when obtaining an ISIN or whether there are scenarios where an ISIN may not require a UPI to be generated.

The Chair advised that you will always get a UPI (code) as part of the ISIN. Even if you don't need it.

EC (TradeWeb) – The concern is the cost of tactical implementation for people that are current DSB users who do not need a UPI as they will have to upgrade their systems for data that they do not want.

The DDO advised that the PC are debating if the UPI code should be in the ISIN record – Section 5.5 is about returning the UPI record (in addition to the code) which is optional.

CP (Bloomberg) – it might be useful from a documentation perspective, to add to 5.1 or 5.2, to clarify in existing workflows where the UPI code will not be returned as part of the record.

The DDO turned to the questions. The big question, the DSB is the UPI SP, to implement in the most cost-effective way – to leverage the existing infrastructure. The DDO explained the basis for the working assumption that we work with on the basis of an atomic transaction.

The Chair asked what the risk was of the routine for the UPI failing within the same system?

The DDO advised that the analysis so far implies that there would be a defect in the system. This would result in the focus of a prompt resolution.

Action – DSB to take this point away and ratify this assumption.

CP (Bloomberg) Two independent processes converging reduces the risk but needs flagging to ensure we fail gracefully when the two processes converge.

EC (TradeWeb) Asked what does failing safely in this context mean?

CP (Bloomberg) Asked is it acceptable to say you don't get the ISIN if you can't get the UPI?

EC (TradeWeb) PC will provide the business view, for Technology it's about when you need the ISIN and the UPI, e.g. ISIN as soon as possible, UPI further down the line. Therefore, mandatory status of UPI – back to the question does everyone who needs an ISIN need a UPI?

CP (Bloomberg) Fail gracefully is partially driven by the PC's decision. E.g. ISIN to return quickly but work on getting the UPI and send an updated ISIN record. Make sure we deliver what must be delivered when we can, But would expect to get the UPI sooner than the end of day reconciliation if this is the case.

The DDO summed up that this is one of the questions to go to the PC – what are the business rules that the PC sees here – in particular is the UPI a mandatory attribute.

The Chair said that for the interim document we can go one of two routes – assume a workflow as CP described, or, we can assume this is not required. The easier of the two from the latter is to assume the worst case.

The DDO said that we should also ask the PC, that if the UPI can fail operationally, does the PC have a view as to what the UPI attribute should be populated with if it is business mandatory, but technically an optional implementation.

CP (Bloomberg) Need to drive out the real business need. We can implement fail gracefully if required by the business. But if UPI is not required must be able to return an ISIN without one successfully. Requires working with the PC to define what failing gracefully is.

The DDO summarised that we should be conservative in our design e.g. fail gracefully, approach the PC, e.g. mandatory, if you do – then there may be scenarios where it can fail, so do the PC have a view? If not, then we can make the decision through the TAC SSC.

The Chair said ISIN within 15 mins for trade reporting and report to FIRDS at the end of day. Neither require UPI, but those who have traded will need the UPI on T+1 for EMIR trade reporting. Therefore, use case for near real time ISIN and T+1 UPI.

EC (TradeWeb) asked to clarify the near/real-time. In reality the ISIN is sent to market participants, those links are not implemented when handling delayed data. So, in reality the ISIN is needed as soon as possible not within 15 minutes.

The Chair conceded but restated that the UPI reporting is really T+1.

The DDO said perhaps we should take an action to approach the regulators to confirm this point.

The Chair agreed – as it's possible that the regulators may decide to add the UPI to the FIRDS data set, so would be good to understand that sooner rather than later.

KE (ISDA) Agreed that this is definitely a question to ask the regulators, so need that feedback.

Section 5.6

The DDO proposed to re-word this section to focus on the pre-population of the UPI universe from the ISIN dataset, including the enrichment of the ISIN records with their respective UPIs.

The Chair felt that it is important that the ISIN information is enriched, to ensure consistency of reporting.

The DDO asked for industry requirements regarding the pre-population exercise.

EC (TradeWeb) – stated that a database dump may be preferable to 100k's worth of FIX messages.

CP (Bloomberg) – stated noted that real-time updates were not necessary or desirable. A better approach may be to coordinate to create the UPIs during system downtime.

Action – to capture the points the SSC has discussed e.g. no need for real time FIX for UPI pre-population, considerations for handling a potentially very large end of day file etc.

The DDO moved on to the second question about the processing of expired ISIN's.

CP (Bloomberg) – Suggested that expired ISINs should also contain UPIs to ensure consistency.

The DDO said we should provide the context to the PC to go with this question.

Section 6

The DDO described section 6 which covers the DSB Record structure – section hasn't changed so wanted to look at the questions. Section 6.3 – Question about where the UPI should be stored. Two options:

- Metadata component (identifier component) status, last updated time etc
- Or we treat it like the CFI code – one of the core attributes of the ISIN record – stored in the derived section.

The DDO asked whether the SSC had a view as to which components of the ISIN Record should store the UPI identifier: (a) the 'metadata' component or the 'derived' component?

EC (TradeWeb) – Noted that one option is to store the UPI in both locations

The Chair noted the similarities between the CFI and UPI. Given that the CFI is in the 'derived' component, it may be appropriate to store the UPI alongside the CFI in the same section.

CP (Bloomberg) the UPI needs to be in the same place as CFI as it has a similar grouping relationship.

The DDO advised that the SSC could ask the Product Committee to answer the question, with the SSC providing appropriate context.

EC (TradeWeb) Asked about 6.2 (Status) – what status values do we expect to see for the UPI?

The DDO advised that detailed analysis had not been performed, but by default the ISIN set of values would be used and then modified if industry or regulator feedback suggested a need for change. i.e. new / expired / inactive.

The Chair advised that a UPI may never expire

CP (Bloomberg) Agreed - there is no time component in the UPI. Perhaps if a currency disappeared?

The DDO advised that in that case we would use inactive.

The Chair advised that the underlier could also cause a status change.

The DDO advised that this question would be passed to the PC to opine.

Section 7 Summary Questions

The DDO advised that this section would be completed in the next iteration with the set of questions within the main body of the document.

4 AOB

The DDO advised that the DSB will provide another iteration in four weeks, giving a further four weeks for the SSC members to contribute to the Bulletin Board, with one further iteration of the document after that to incorporate the feedback.

The Chair noted the need for keeping changes to a minimum to allow the interim document to be created in a timely manner so that it can be fed into the DSB's draft UPI ToR.

No other AOB's were raised.

5 Meeting Close

The Chair thanked everyone for their contribution and closed the call.

6 Actions

The following new actions were recorded:

- The DSB will complete the Exec summary section in the next iteration of the report
- The DSB will remove the UPI service provider reference in section 2.2.
- The DSB will move the current section 3 to the Appendix
- The DSB will change the UPI identifier example so it appears differently to the ISIN
- The DSB will rename section 5 as Existing Workflows and move the current 5.3 to its own top-level section and title this new or changed workflows.
- The DSB will review the graphic in 5.1.4 to address CP's points – why both exits are labelled as “no” and why are we publishing on a search?
- The DSB will remove section 5.2b and alter the text in 5.2a to ensure it covers all execution venues; remove the trade report and APA from the diagram and clarify that the diagram covers a common European use-case – but that there could be other non-European workflows
- The DSB will remove the UPI provider reference from the diagram in Section 5.3
- The DSB will mirror what is in section 5.4 today in section 5 for the ISIN.
- The DSB will rename the titles of Sections 5.3 and 5.5.
- The DSB will revise the wording in section 5.5 to ensure it is clear.
- The DSB to confirm with ESMA if a UPI is required when obtaining an ISIN
- The DSB to ratify the assumption that the UPI service would only fail in the event of a defect in the system.
- The DSB to approach the Product Committee regarding the point about the UPI being a mandatory attribute within the ISIN record. Also, if the UPI can fail operationally, but is mandatory, does the PC have a view as to what the DSB should populate the field with in this case?
- The DSB to re-work section 5.6

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- The DSB to capture the points around UPI pre-population from the ISIN data – not enabling real-time FIX, considerations regarding the end of day file, break up the process e.g. by Asset class – these considerations may need sending out to wider industry.
 - The DSB to raise the question about processing expired ISIN's with the PC (as part of the pre-population of UPI's from ISIN data)
 - The DSB to raise the question with the PC if they see all the existing ISIN status values applying to the UPI?
 - The DSB to provide a further iteration of the document by Wednesday 10th July, this will form a bulletin board item.
 - The TAC SSC members to provide all feedback on the document via the bulletin board by Wednesday 7th August.
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Respectfully submitted,
DSB Designated Officer.