



# DSB ISINs and the SONIA benchmark reform- Frequently Asked Questions

The Frequently Asked Questions (FAQ) document aims to provide users of the Derivative Service Bureau with information relating to the upcoming SONIA benchmark reform and how this will impact ISIN creation for instruments using this benchmark.

Please note that this is a living document and is subject to change following ongoing stakeholder feedback, including from regulators and the Product Committee.

## Change History

Date	Change	Version	Author	Revision Details
16/04/2018	Creation	0.1	ND	Initial Version
18/04/2018	Change	0.2	ND	Edit to Question 2 Additional Question 10

## Contents

Change History .....	2
1 What is the SONIA benchmark reform? .....	4
2 How does this impact the DSB? .....	4
3 What is the implementation timeline? .....	4
4 What templates will be impacted? .....	5
5 How should industry deal with existing ISINs which have “GBP-WMBA-SONIA-COMPOUND” as reference rate? .....	7
6 What business rules will apply to the new templates? .....	7
7 What do I need to do and by when? .....	7
8 What else do I need to know? .....	8
9 What are the risks of an expedited delivery? .....	8
10 Can the DSB confirm if users should continue reporting live trades with existing ISINs referencing GBP-WMBA-SONIA-COMPOUND? .....	9

## 1 What is the SONIA benchmark reform?

The Bank of England will be taking on the end-to-end administration, including the calculation and publication of SONIA from the Wholesale Markets Brokers' Association (WMBA) – more information about the change can be found [here](#).

## 2 How does this impact the DSB?

The change in SONIA benchmark will mean a new addition to the FpML (Financial products Markup Language) floating rate index schema, which the DSB currently uses to source its 'Reference Rate', 'Other Reference Rate' and Underlying Instrument Index (CapFloor) enumeration list for interest rate product definitions.

The DSB was advised on 5<sup>th</sup> April 2018 that there will be a new SONIA floating rate index added to the list which will represent the new SONIA rate being calculated by the Bank of England.

The change in SONIA benchmark will mean a new addition to the FpML floating rate index schema, which the DSB currently uses to source its 'Reference Rate', 'Other Reference Rate' and Underlying Instrument Index (CapFloor) enumeration list.

Existing:            GBP-WMBA-SONIA-COMPOUND  
New:                 GBP-SONIA-COMPOUND

The International Swaps and Derivatives Association, Inc. (ISDA) has published the pre-publication draft for the **GBP-SONIA-COMPOUND** floating rate index. Further detail on this can be [here](#).

GBP-WMBA-SONIA-COMPOUND will not be published beyond 20<sup>th</sup> April 2018; however, it is necessary to retain it in the schema (e.g. for any back reporting)

**Note:** this pre-publication draft can be subject to change prior to the 23<sup>rd</sup> April. The final code will be published by ISDA on the 23<sup>rd</sup> April. Any changes to the enumeration list ahead of 23<sup>rd</sup> April will delay the DSB's implementation timeline owing to the enrichment rules being impacted.

## 3 What is the implementation timeline?

- Thu 5<sup>th</sup> April – FpML change notification received by the DSB
- Tue 10<sup>th</sup> April – industry driven Product Committee requirements finalized and business rules agreed
- Thu 12<sup>th</sup> April – pre-implementation discussions held with the Bank of England (BoE) and the Financial Conduct Authority (FCA)
- Thu 12<sup>th</sup> April – user notification with delivery timelines and risks shared with industry
- **UAT Testing Period** - 16<sup>th</sup> to 20<sup>th</sup> April 2018
- **PRODUCTION** - 23<sup>rd</sup> April 2018
- Mon 23<sup>rd</sup> April, BoE will be taking on the end-to-end administration, including the calculation and publication of SONIA.

#### 4 What templates will be impacted?

Full details of the DSB implementation timeline and templates impacted area available [here](#).

- Templates affected:
  - Production: 26 templates will be updated
  - UAT: 34 templates will be updated

Template Name	Will be available in UAT on 16 <sup>th</sup> April 2018	Will be available in Production on 23 <sup>rd</sup> April 2018
Request.Rates.Swap.Non_Standard.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Float_Zero_Coupon.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Float_OIS.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Fixed_Float.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Zero_Coupon.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Fixed_Float_NDS.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Fixed_Float.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Cross_Currency_Basis.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Basis_OIS.InstRefDataReporting.json	Y	Y
Request.Rates.Swap.Basis.InstRefDataReporting.json	Y	Y
Request.Rates.Option.Non_Standard.InstRefDataReporting.json	Y	Y
Request.Rates.Option.CapFloor.InstRefDataReporting.json	Y	Y
Request.Rates.Forward.FRA_Index.InstRefDataReporting.json	Y	Y
Rates.Swap.Non_Standard.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Fixed_Float_Zero_Coupon.InstRefDataReporting.V1.json	Y	Y

<b>Template Name</b>	<b>Will be available in UAT on 16<sup>th</sup> April 2018</b>	<b>Will be available in Production on 23<sup>rd</sup> April 2018</b>
Rates.Swap.Fixed_Float_OIS.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Fixed_Float.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Cross_Currency_Zero_Coupon.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Cross_Currency_Fixed_Float_NDS.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Cross_Currency_Fixed_Float.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Cross_Currency_Basis.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Basis_OIS.InstRefDataReporting.V1.json	Y	Y
Rates.Swap.Basis.InstRefDataReporting.V1.json	Y	Y
Rates.Option.Non_Standard.InstRefDataReporting.V1.json	Y	Y
Rates.Option.CapFloor.InstRefDataReporting.V1.json	Y	Y
Rates.Forward.FRA_Index.InstRefDataReporting.V1.json	Y	Y
Request.Rates.Swap.Inflation_Basis.InstRefDataReporting.json	Y	N (Template only in UAT)
Request.Other.Swap.Non_Standard.InstRefDataReporting.json	Y	N (Template only in UAT)
Request.Other.Other.Non_Standard.InstRefDataReporting.json	Y	N (Template only in UAT)
Request.Other.Option.Non_Standard.InstRefDataReporting.json	Y	N (Template only in UAT)
Rates.Swap.Inflation_Basis.InstRefDataReporting.V1.json	Y	N (Template only in UAT)
Other.Swap.Non_Standard.InstRefDataReporting.V1.json	Y	N (Template only in UAT)
Other.Other.Non_Standard.InstRefDataReporting.V1.json	Y	N (Template only in UAT)

Template Name	Will be available in UAT on 16 <sup>th</sup> April 2018	Will be available in Production on 23 <sup>rd</sup> April 2018
Other.Option.Non_Standard.InstRefDataReporting.V1.json	Y	N (Template only in UAT)

## 5 How should industry deal with existing ISINs which have “GBP-WMBA-SONIA-COMPOUND” as reference rate?

Existing ISINs referencing GBP-WMBA-SONIA-COMPOUND will mature at their normal expiry date.

This means that from 23<sup>rd</sup> April 2018 onwards, it is possible to have two ISINs:

- one referencing the WMBA version of SONIA and
- one referencing the new SONIA

The Product Committee recommends keeping both ISINs but utilising the WMBA ISIN only for the specific scenario where an existing trade with that ISIN is being unwound. New trades should always reference the new ISIN.

Please also note that in order to cater for this legacy trade unwound scenario, DSB users will continue to be able to create ISINs that reference the WMBA SONIA. The decision to continue to allow the creation of ISINs referring to the WMBA SONIA may be revisited at a later date by the Product Committee.

## 6 What business rules will apply to the new templates?

The DSB has applied a business rule validation which does not allow the creation of ISINs with an expiry date earlier than 23<sup>rd</sup> April 2018 (which reference the new GBP-SONIA-COMPOUND rate)

## 7 What do I need to do and by when?

**DSB Users are requested to upgrade to the new templates and conduct sufficient testing to satisfy the implementation of the revised DSB templates – including testing and consumption of the end of day snapshot files.**

- This requires users’ UAT environments to be able to accommodate the new DSB templates as early as possible during the test period (16<sup>th</sup> to 20<sup>th</sup> April)**
- This requires users’ Production environments to be able to accommodate the new DSB templates in time for use on 23<sup>rd</sup> April**

DSB users (with the ability to create ISINs) are requested to regression test the DSB templates they currently use and notify the DSB of any issues by cob Wed 18th April 2018 so that we can work to address these with you.

Programmatic DSB users must ensure that their FIX and/or ReST connections are able to consume ISINs containing the new GBP-SONIA-COMPOUND rate. Users with high error rates risk having their programmatic connections terminated if the errors threaten the stability of the DSB system.

## 8 What else do I need to know?

Timeline expectations should only be based on direct DSB communications to ensure that users can access the most up to date information.

If industry adoption and testing is insufficiently robust within the week of 16-20 April, the DSB will work with SONIA stakeholders to determine whether to proceed with implementation for 23<sup>rd</sup> April 2018.

## 9 What are the risks of an expedited delivery?

Achieving the 23<sup>rd</sup> April 2018 milestone requires taking significantly higher risk with DSB stability and the quality of the delivery than is the DSB's preferred operating model. In particular:

- i. DSB internal testing will be performed in parallel with public UAT testing. This increases the following risks:
  - a) Lower quality delivery of functionality into public UAT, thereby increasing the likelihood of several revisions in UAT next week
  - b) Such revisions increase the likelihood that some users accidentally deploy an out-of-date version into Production with risks to DSB system stability in Production
- ii. DSB deployment into UAT in parallel with the public documentation release. This increases the following risks:
  - a) UAT instability resulting from some users starting to create the new ISINs quickly, and other users not yet having upgraded (or upgrading incorrectly)
  - b) Invalid error handling by institutions who are yet to complete full DSB integration
- iii. The short one-week UAT period increases the following risks:
  - a) some industry participants unable to create or consume the new ISINs
  - b) Production system instability as a result of the issue in (a) above
  - c) Some important defect not being noticed in the shortened UAT cycle, necessitating emergency bug fixes post go-live, which in turn may require remedial action to fix already submitted regulatory reports etc.
  - d) The impact of scheduled internal infrastructure changes that cannot be decoupled from the SONIA benchmark reform related amendments may also lead to some system instability due to the deployment complexity

### Other Risks & Implications

- **Disconnection of users who put the DSB stability at risk following production deployment:** Given the heightened risk to stability, the DSB may need to proactively disconnect users from UAT or Production if in its reasonable opinion such action is required for the stability of the system
- **Failure of Users to Migrate in Time:** The DSB will make a final determination of industry readiness to migrate to Prod next week, based on UAT stability and number of users who have upgraded their systems.



10 Can the DSB confirm if users should continue reporting live trades with existing ISINs referencing GBP-WMBA-SONIA-COMPOUND?

The DSB is unable to comment on individual firms' reporting requirements. Users should consult their relevant National Competent Authority (NCA) for clarification.