DSB NON-STANDARD PRODUCT DEFINITION TASKFORCE MINUTES

Meeting:	The 4th DSB Non-Standard Product Definition Taskforce		
Date: 14-Sep-2017	**Time:** 13.00 – 15.00 BST	**Location:**	Teleconference

Chairperson:	Tony Birrell, DSB

In attendance:	**Taskforce Member Organisations**	**DSB Secretariat / PMO**
	BAML	
	Citi	
	Goldman Sachs	
	JP Morgan	
	Morgan Stanley	
	BNP Paribas	

Apologies:	

Absences:	Deutsche Bank
	UBS

No	**Topics**
1	**Open actions**

- **Action 3:** Action closed
- **Action 4:** Action closed
- **Action 9:** Remain open, members agreed to revert on this point and that it does not have any effect on progressing Product definition development
- **Action 13:** Remain open, rates focus group to convene next week
- **Action 14:** Remain open, rates focus group to convene next week
- **Action 15:** Remain open, rates focus group to convene next week
- **Action 16:** Remain open, rates focus group to convene next week
- **Action 19:** Action closed, superseded by action 26 below
- **Action 24:** Action closed
- **Action 25:** Action closed
- **Action 26:** Remain open, members agreed to revert on this point and that it does not have any effect on progressing Product definition development
- **Action 27:** Action closed
- **Action 28:** Action closed
- **Action 29:** Action closed
- **Action 30:** Action closed

2	**Open Issues - Equities**

- Secretariat raised open issues submitted by the Equities Focus group for consideration of the taskforce
  - Cash component of a basket – members agreed that the identifier for a cash component of a basket should not be included in the Underlying identification attribute of the OCT Derivative Product

	- Option Style & Type – Members agreed to revert on this point and that the decision does not affect the progress of the Product Definition development. (See **Action 9**) - Custom option with variable pay-off – Members discussed this instrument in the context of Option style and type also not being relevant - A member challenged whether the CFI code character of 'X' could be used for this attribute as it is not known **Action 31:** Secretariat to confirm with CFI if 'X' can be used in the case where Option Style & Type (attribute 4) is not know
3	**Asset class review - Rates**
	- Secretariat advised that the Rates taskforce was unable to convene this week due to lack of attendance. Bilateral discussions will continue in an effort to resolve the specific rates issues. - Secretariat advised as a consequence of the above the Rates non-standard definitions would be de-prioritised until issues are resolved which may mean implementation will slip into 2018.
4	**Asset class review - Credit**
	- Secretariat raised open issues submitted by the Credit Focus group for consideration of the taskforce - Multi leg Credit Instruments – Members agreed to revert on this point and that the decision does not affect the progress of the Product Definition development. (See **Action 26**)
5	**Asset class review - FX**
	- Secretariat raised open issues submitted by the FX Focus group for consideration of the taskforce - Average Strike Option – Members discussed if standard or non-standard definitions should be used for an instrument containing multi-strike and therefore is not vanilla. Members agreed if there is a non-standard element in the instrument then the Non-Standard definition should be used - Treatment of TARF/TARN – members discussed the treatment of these instruments and agreed that TARF should utilise the standard Target Option definition and TARN should utilise the Non-Standard definition
6	**AOB**
	- Members agreed that development of the Non-Standard Product Definitions should commence based on the outstanding issues being interpretational in nature - Secretariat confirmed a document would be circulated to publish the findings of the taskforce and guidance on the appropriate product definitions to be used for instruments identified **Action 32:** Secretariat to circulate findings of the taskforce and guidance on the appropriate product definitions to be used for instruments identified to the taskforce prior to publication
7	**Next Meeting**
	Thursday 21st September 2017 – to close out remaining issues

Respectfully submitted,

DSB Secretariat

Minutes Approved on: 21st Sep 2017

Summary of Open Actions

No	Actions	Owner	Target Date
9	Member to revert to taskforce next week after organisational consultation on treatment of Option Type	DSB Sec	21-Sep-17
13	Taskforce to provide trade examples that would be classified by Rates/Option/Other (HRM***) CFI code to the secretariat	Taskforce	21-Sep-17
14	Taskforce to opine on a potential attribute that could be added to the Non-standard Product Definitions to enable differentiation of exotic products classified by 'Other' CFI categories	Taskforce	21-Sep-17
15	Taskforce to opine on the possibility of classifying the exotic instruments in scope into an enumerated list that could be represented by a new attribute 'Product Type' that would enable differentiation of exotic products classified by 'Other' CFI categories	Taskforce	21-Sep-17
16	Taskforce to opine on the potential number of exotic Rates instruments in scope	Taskforce	21-Sep-17
26	Taskforce members to consult ISDA taskforce representatives to opine on the interpretation of Notional currency for multi leg credit instruments	Taskforce	21-Sep-17
31	Secretariat to confirm with CFI if 'X' can be used in the case where Option Style & Type (attribute 4) is not know	DSB Sec	21-Sep-17
32	Secretariat to circulate findings of the taskforce and guidance on the appropriate product definitions to be used for instruments identified to the taskforce prior to publication	DSB Sec	21-Sep-17

Summary of Closed Actions

No	Actions	Owner	Target Date
1	Secretariat to confirm how ETF is currently classified within the CFI code	DSB Sec	31-Aug-17
2	Direction required from Taskforce members in what circumstances should cross asset M – Other be used. Members to discuss if there a threshold of asset class weighting that should apply before this code is used	Taskforce	07-Sep-17
3	Taskforce members to revert with any examples of instruments that would fall into the CFI Option/Other categories	Taskforce	14-Sep-17
4	Taskforce members to submit non-standard instruments to the secretariat to continue this review	Taskforce	14-Sep-17
5	Secretariat to request an opinion from ESMA as to whether they will accept one CFI code for two different sets of attributes	DSB Sec	31-Aug-17
6	Secretariat to add into the principles of the taskforce that it will work to enhance the CFI code after Jan 3rd go-live	DSB Sec	25-Aug-17
7	Secretariat to raise the addition of 'Other' to Option Style and Type with the CFI working group	DSB Sec	31-Aug-17
8	Secretariat to bilaterally arrange asset class specific focus groups	DSB Sec	27-Aug-17
10	Secretariat to publish the recommendation that M – Others (Miscellaneous) Product Definition should be used for Non-standard forwards in the final non-standard analysis	DSB Sec	31-Aug-17
11	Secretariat to recommend to the CFI working group that 'Others' be added to the Return or Payout Trigger for Equity Forwards	DSB Sec	27-Aug-17
12	Secretariat to publish the recommendation that the Non-Standard Product Definition and resultant CFI group of 'Other' should be used when the basket consists of multi-asset class products in the final non-standard analysis	DSB Sec	15-Sep-17
17	DSB to create an independent Product Definition for CDS with Loan Underlier for Product Committee review	DSB Sec	15-Sep-17
18	Secretariat to present Non-standard credit templates to the taskforce at next meeting	DSB Sec	07-Sep-17
19	Taskforce to opine on the interpretation of Notional currency for multi leg credit instruments	Taskforce	14-Sep-17
20	Taskforce to provide examples of CDS instruments with any non-standard element and decide upon the correct Product Definition to use	Taskforce	14-Sep-17
21	Taskforce to provide trade examples that would be classified by Options/Other & Miscellaneous to the secretariat	Taskforce	14-Sep-17
22	Taskforce to provide trade examples that would be classified by Underlying Asset CFI values of Forwards/Futures/Volatility & Other to the secretariat	Taskforce	14-Sep-17
23	Secretariat to publish the recommendation that multi-currency FX instruments should use the M – Others (Miscellaneous) Product Definition	DSB Sec	15-Sep-17
24	Members to consult other business lines and confirm that the understanding of basket underliers is consistent	Taskforce	14-Sep-17

25	Member agreed to consult exotic experts in house regarding the inclusion of an identifier for the cash component in a basket underlying an OTC Derivative	Taskforce	14-Sep-17
27	Secretariat to include 'Spot' as part of the enumerated values for Underlying Asset Type in the Non-Standard FX Option definition	DSB Sec	14-Sep-17
28	Secretariat to add 'Place of Settlement' into the FX Option Non-Standard definition	DSB Sec	14-Sep-17
29	Secretariat to reclassify Delivery Type to user input in the Non-standard Product Definitions	DSB Sec	14-Sep-17
30	Taskforce members to progress open actions by next week's final Taskforce meeting	Taskforce	14-Sep-17