

DSB NON-STANDARD PRODUCT DEFINITION TASKFORCE MINUTES

Meeting: The 5th DSB Non-Standard Product Definition Taskforce

Date: 21-Sep-2017 **Time:** 13.00 – 15.00 BST **Location:** Teleconference

Chairperson: Tony Birrell, DSB

In attendance: **Taskforce Member Organisations** **DSB Secretariat / PMO**

BAML
Goldman Sachs
JP Morgan
Morgan Stanley
BNP Paribas
Deutsche Bank
UBS

Apologies:

Absences: Citi

| No | Topics |
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| 1 | Open actions |
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- **Action 9:** Action closed, CFI value of “X” can be used for options that do not have a defined style or type on execution
 - **Action 13:** Action closed by the focus group
 - **Action 14:** Action closed by the focus group
 - **Action 15:** Action closed by the focus group
 - **Action 16:** Action closed by the focus group, volume will be analysed once production is live
 - **Action 26:** Action closed, Secretariat to follow up with the focus group
 - **Action 31:** Action closed, secretariat confirmed ‘X’ can be used as a valid CFI value in the case of instruments whose option style and type is not known on execution
 - **Action 32:** Action closed, secretariat to publish findings of the taskforce on Wednesday 27th September.
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| 2 | Open Issues - Credit |
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- Secretariat raised open issues submitted by the Credit Focus group for consideration of the taskforce
 - Multi leg Credit Instruments – Secretariat agreed to forward this query around to the credit focus group for resolution.
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| 3 | Asset class review - Rates |
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- Secretariat confirmed that the following items were addressed and closed by the Rates Focus group:
 - Rates/Option/Other (HRM***) is a required template for Inflation Cap Floor as an example
 - Members agreed that an additional attribute or attempting to establish a list of Product types to differentiate the non-standard templates from one another was not appropriate at this time because the use of ‘Other’ will drive future change
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conversations and the overall objective of separating flow products from non-standard products has been achieved.

4 Final instrument review

- Members agreed to the following recommendations for outstanding Equity exotic instruments:
 - Reverse convertible/Bonus Certificate Options: Equity Non-Standard Option
 - Reverse convertible/Bonus Certificate Swaps: Equity Non-Standard Swaps
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5 Equity Index approach

- Secretariat advised that ESMA has provided direction to use their list of Equity indices established by Trading Venues as part of the Transitional Transparency data collection exercise
 - Secretariat proposed that in addition to the above, an enumerated value of 'Other' will be added and the Underlying Instrument ISIN would be reintroduced
 - Due to this late template amendment, the secretariat advised that the Equity templates have been pulled from production release on 2nd October.
 - Members supported this delay to implementation on the basis that the Equity templates will be optimised
 - Secretariat confirmed that implementation timelines will be published on Friday 29th September
 - **Action 33:** Secretariat to circulate the list of equity indices compiled by ESMA
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6 Proprietary Index Approach

- Secretariat advised that a change management process for proprietary indices has been developed and will be published to industry on Wednesday 27th September
 - The process affects Credit & Commodity Product Definitions which will also be temporarily delayed from the production environment whilst this process is implemented
 - Members supported this delay to implementation on the basis that proprietary indices will be catered for as underlying references
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6 AOB

- Secretariat confirmed the Non-Standard taskforce final report will be published on Wednesday 27th September
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7 Next Meeting

- TBC if required
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Respectfully submitted,

DSB Secretariat

Minutes Approved on: 28th Sep 2017

Summary of Open Actions

| No | Actions | Owner | Target Date |
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| 33 | Secretariat to circulate the list of equity indices compiled by ESMA | Sec | 25-Sep-17 |

Summary of Closed Actions

| No | Actions | Owner | Target Date |
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| 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 |
| 9 | Member to revert to taskforce next week after organisational consultation on treatment of Option Type | DSB Sec | 21-Sep-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 |
| 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 |
| 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 |

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| 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 |
| 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 |
| 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 |
| 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 |