

## DSB NON-STANDARD PRODUCT DEFINITION TASKFORCE MINUTES

**Meeting:** The 3<sup>rd</sup> DSB Non-Standard Product Definition Taskforce

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**Date:** 07-Sep-2017      **Time:** 13.00 – 15.00 BST      **Location:** Teleconference

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**Chairperson:** Tony Birrell, DSB

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**In attendance:**

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| <b>Taskforce Member Organisations</b> | <b>DSB Secretariat / PMO</b> |
| BAML                                  | Nathan Dagg, ANNA DSB        |
| Citi                                  |                              |
| Goldman Sachs                         |                              |
| JP Morgan                             |                              |
| Morgan Stanley                        |                              |
| BNP Paribas                           |                              |

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**Apologies:**

**Absences:** Deutsche Bank  
UBS

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| No | Topics |
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| <b>1</b> | <b>Open actions</b> |
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- **Action 3:** Remain open
  - **Action 4:** Remain open
  - **Action 5:** ESMA has advised that CFI is a classification and the same CFI code can apply to multiple instruments within the same asset class, action closed
  - **Action 9:** Remain open
  - **Action 10:** Recommendation to form part of the published analysis, action closed
  - **Action 11:** Secretariat has raised with the CFI working group, action closed
  - **Action 12:** Recommendation to form part of the published analysis, action closed
  - **Action 13:** Remain open
  - **Action 14:** Remain open
  - **Action 15:** Remain open
  - **Action 16:** Remain open
  - **Action 17:** CDS Loan Product Definition created for PC review, action closed
  - **Action 18:** Discussed this meeting, action closed
  - **Action 19:** Action closed, superseded by action 26 below
  - **Action 20:** Remain open
  - **Action 21:** Remain open
  - **Action 22:** Remain open
  - **Action 23:** Recommendation to form part of the published analysis, action closed
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| <b>2</b> | <b>Open Issues - Equities</b> |
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- Secretariat raised open issues submitted by the Equities Focus group for consideration of the taskforce
    - Nested ISINs example – a member provided a flowchart example of the underlying identifiers that would be required in the definition of an instrument containing a basket of underliers. Members agreed that the identifiers of the
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constituents comprising the basket should be recorded as the underlying identifiers of the OTC derivative.

- **Action 24:** Members to consult other business lines and confirm that the understanding of basket underliers is consistent
- Cash component of a basket – members discuss whether the identifier for a cash component of a basket need to be included in the Underlying identification attribute of the OCT Derivative Product
  - **Action 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
- Option Style & Type – Taskforce discussed the approach to utilise the Option type of ‘Chooser’ for all non-standard options that are neither Put nor Call. One member challenged this approach and suggested if a CFI code cannot be exactly matched then M – Other (miscellaneous) should be used. (See **Action 9**)

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### 3 Asset class review - Rates

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- 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 there is a risk that Rates Non-Standard templates will not be implemented in 2017 if these issues cannot be resolved.

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### 4 Asset class review - Credit

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- Secretariat raised open issues submitted by the Credit Focus group for consideration of the taskforce
  - Multi leg Credit Instruments – Taskforce discussed how Notional Currency is to be interpreted for multi leg credit instruments
    - **Action 26:** Taskforce members to consult ISDA taskforce representatives to opine on the interpretation of Notional currency for multi leg credit instruments
  - Non-Standard Product Definition interpretation – members agreed that once an instrument contains elements from multiple asset classes then the cross-asset class Non-Standard Swap/Option template should be used as opposed to the asset class specific non-standard template

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### 5 Asset class review - FX

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- Secretariat raised open issues submitted by the FX Focus group for consideration of the taskforce
  - FX Non-Standard Product Definition – members agreed that ‘Spot’ should be included within Underlying Asset type.
    - **Action 27:** Secretariat to include ‘Spot’ as part of the enumerated values for Underlying Asset Type in the Non-Standard FX Option definition
  - Place of Settlement – members discussed the addition of ‘Place of Settlement’ as an attribute in the FX Option Non-Standard definition to enable a different ISIN for instruments settled onshore & offshore, specifically CNH
  - Members agreed the addition of ‘Place of Settlement’ as an attribute in the FX Option Non-Standard definition is appropriate
    - **Action 28:** Secretariat to add ‘Place of Settlement’ into the FX Option Non-Standard definition

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### 6 Review of the Non-Standard Product Definitions

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- Secretariat presented the Non-Standard Product Definitions to the taskforce
- Members agreed that ‘Delivery Type’ in all cases should be user input as opposed to defaulted

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- **Action 29:** Secretariat to reclassify Delivery Type to user input in the Non-standard Product Definitions
  - Members agreed that the underlying references for all asset classes should be included in the cross-asset class definitions and be made optional
  - Secretariat confirmed that at minimum of one underlying reference would be required
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**7 Engagement by taskforce members**

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- Secretariat advised that all open issues need to be addressed and closed by taskforce consensus for the non-standard Product Definition analysis to be complete and the final definitions confirmed for development and implementation
    - **Action 30:** Taskforce members to progress open actions by next week's final Taskforce meeting
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**6 Next Meeting**

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- Thursday 14<sup>th</sup> September 2017
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Respectfully submitted,

DSB Secretariat

Minutes Approved on: 14-Sep-17

## Summary of Open Actions

| No | Actions  | Owner     | Target Date |
|----|--|-----------|-------------|
| 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   |
| 9  | Member to revert to taskforce next week after organisational consultation on treatment of Option Type  | DSB Sec   | 14-Sep-17   |
| 13 | Taskforce to provide trade examples that would be classified by Rates/Option/Other (HRM***) CFI code to the secretariat  | Taskforce | 14-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 | 14-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 | 14-Sep-17   |
| 16 | Taskforce to opine on the potential number of exotic Rates instruments in scope  | Taskforce | 14-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   |
| 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 | 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   |

## 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   |
| 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   |
| 23 | Secretariat to publish the recommendation that multi-currency FX instruments should use the M – Others (Miscellaneous) Product Definition  | DSB Sec   | 15-Sep-17   |