

DERIVATIVES SERVICE BUREAU

INDUSTRY CONSULTATION - 2023 DSB SERVICE PROVISION

Emma Kalliomaki, DSB MD
Andy Hughes, DSB Management Team
Ben Lloyd, DSB Management Team

11TH MAY 2022

AREAS OF FOCUS

1. Background
2. Governance
3. Key Principles
4. DSB Utilization
5. Consultation Timeline
6. Proposed Format for Industry Response
7. Consultation Overview
8. Update on Activities Resulting from Prior Consultations
9. Consultation Questions
 - a) Global Agile Architecture
 - b) Technology Controls :Tools
 - c) GUI Search Utility Improvements
 - d) Support for provision of CFI codes for EMIR
 - e) Removal ofVPN Connectivity Option from Cost Recovery
 - f) Client Onboarding and Support Platform for OTC ISIN
10. Proposed Format for Industry Response
11. Further Information

I. DSB OVERVIEW – I OF II

What is the DSB?

- A technology **platform** which can generate an identification hierarchy for OTC derivatives
- Within its scope of OTC derivatives, it provides the industry with an archive of International Security Identifier Numbers (**ISINs**) and their associated **instrument reference data**
- It is **global** in design and operation, operated under the ISO principles including on a **cost recovery** basis

What does the DSB do?

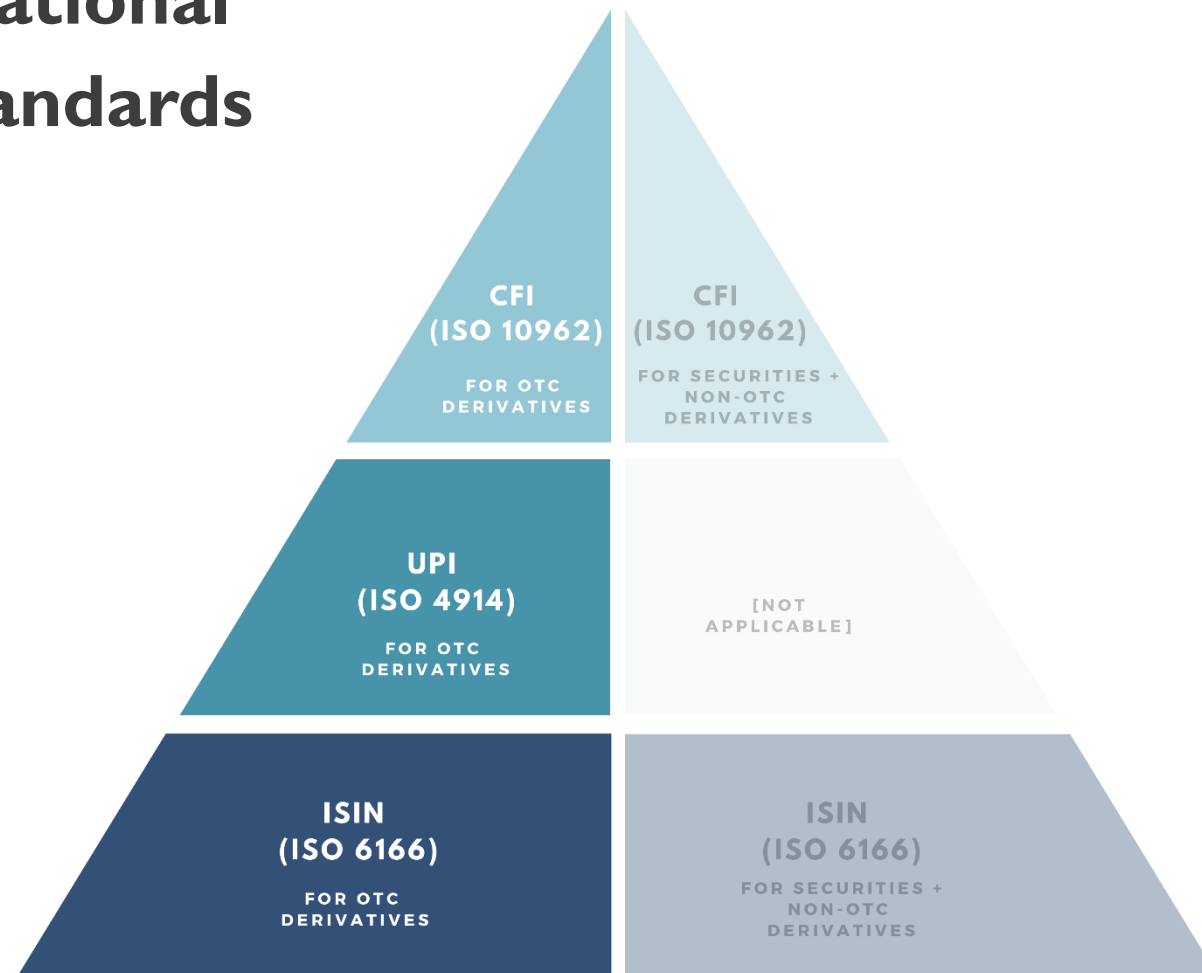
- **ISIN, CFI and FISN generation** for OTC derivative product as required by market participants
- **Distribution of OTC ISINs** and their associated reference data to market participants
- Access means include a **web interface, programmatic connectivity** and **file download**
- Future generation of **Unique Product Identifiers (UPIs)**

Drivers

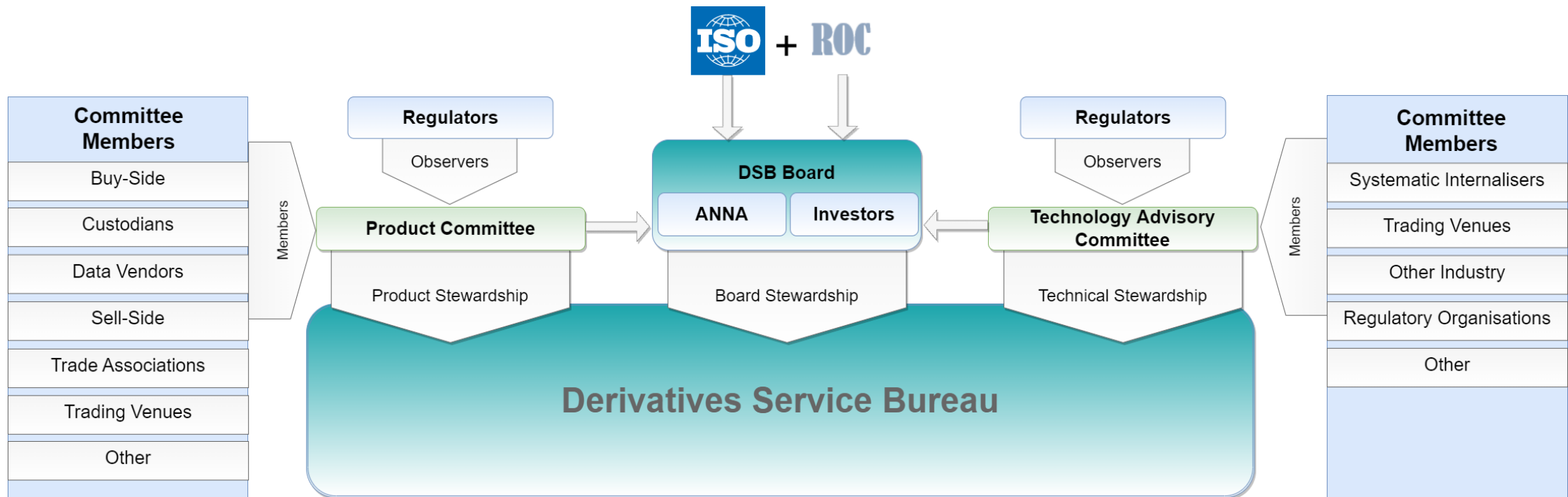
- **EU regulators** have **mandated** that ISINs identify instruments for **MiFID2 / MiFIR** reporting, including some **OTC derivatives**
- The **DSB** is the sole source of **ISINs for OTC derivatives** and was engineered to serve the needs of regulators and industry participants, to enable the industry to meet regulatory obligations
- The **DSB** has been **designated** by the FSB as the **sole UPI Service Provider** and operator of the Reference Data Library

I. DSB OVERVIEW – II OF II

Alignment of International OTC Derivatives Standards



2. OTC ISIN GOVERNANCE



3. KEY PRINCIPLES FOR THE OTC ISIN SERVICE

Industry Stewardship

- Product definitions and maintenance is via industry-led Product Committee of market practitioners
- Technology Advisory Committee formed to advise on future evolutions of the DSB technology platform to address changing market requirements
- Public and transparent Industry Consultation process is open to all users to shape the evolution of the service
- Third Party Assurance Audit - ISAE 3402 Type II Report

Cost Recovery

- The numbering agency services are provided on a cost-recovery basis

Reasonable and Non-Discriminatory (RAND) Access and Use

- DSB ISINs and their associated data will have no licensing restrictions on usage and distribution for any purpose as part of the ISIN record
- Access to the DSB archive for consumption of OTC derivative ISINs and associated reference data will be available for free to all registered organizations and users

3. KEY PRINCIPLES FOR THE OTC ISIN SERVICE

Payment in Advance

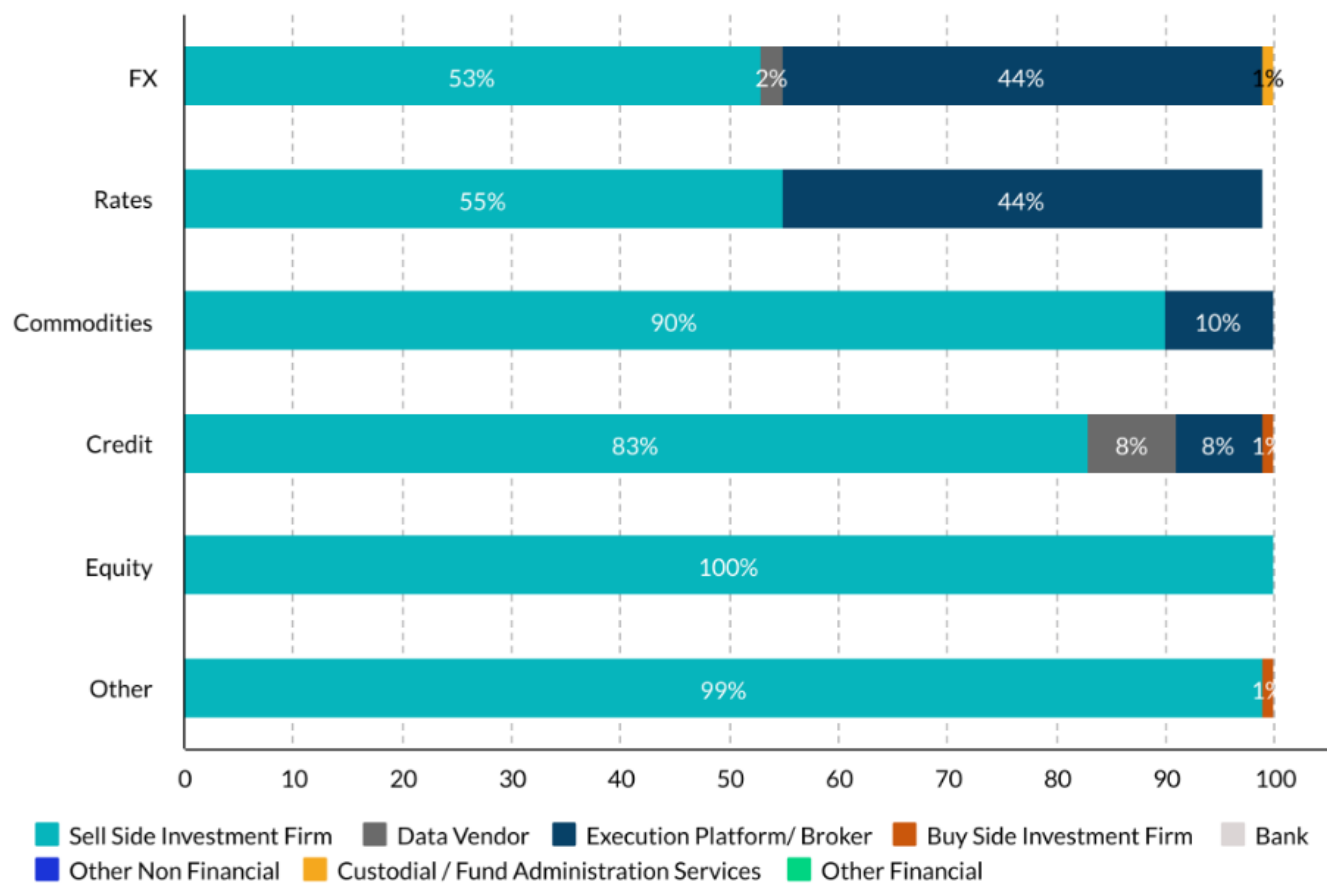
- To the extent possible, the DSB will levy fees through annual contracts that require payment in advance. This advance yearly commitment offers the DSB more clarity in aligning fee levels with cost recovery. For the users, it provides improved ability to forecast their costs for utilising ISIN services.

Equal Treatment

- As an industry utility, the DSB aims to ensure parity and efficiency in delivery of our service. This includes following standardised processes and procedures for all users of the DSB operating under the cost recovery framework-based service.
- The DSB has a common agreement in place ensuring equal treatment across all users. Any exceptions to the terms are only introduced on the basis that they can be consistently applied across all users without imposing a risk on the service.

4. DSB UTILIZATION - I OF II

OTC ISINs created by institution type



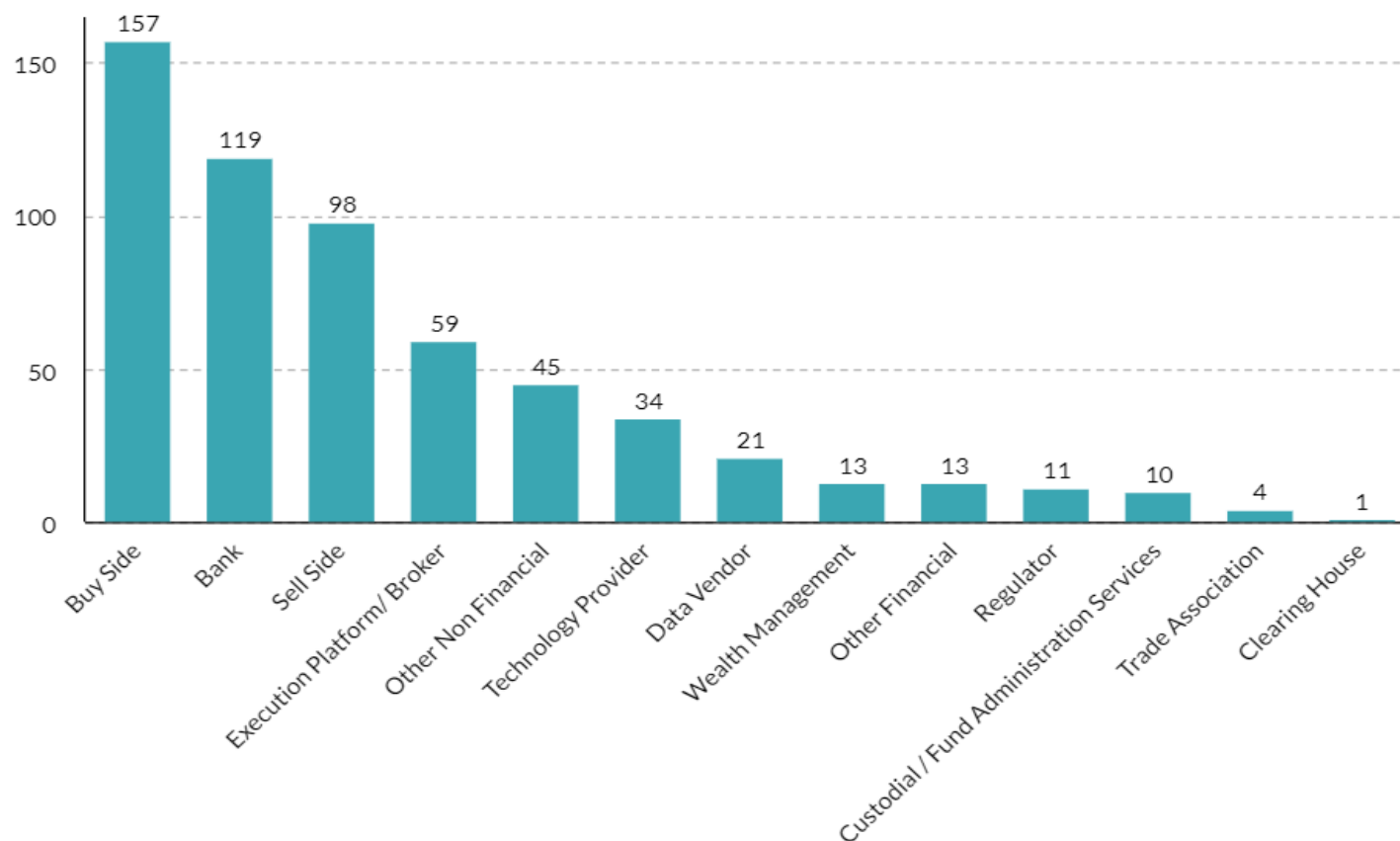
Highlights:

- The Sell-side continue to create 75% of all OTC ISIN records.
- 15 institutions created 76% of all OTC ISINs.
- DSB to launch UPI service. [Full timeline here!](https://www.anna-dsb.com/upi-implementation-timeline/)

| <https://www.anna-dsb.com/upi-implementation-timeline/>

4. DSB UTILIZATION – II OF II

Number of institutions accessing the DSB for OTC ISIN, CFI and FISN data



DSB Users by Category

Approximately 3.5k accounts across more than 550 organizations:

FREE TO USE:

- Registered Users = 460 organizations

FEE PAYING, as per Q1 2022 Fee Model Variables:

- Infrequent Users = 40 organizations + affiliates
- Standard Users = 10 organizations + affiliates
- Power Users = 79 organizations + affiliates

5. OTC ISIN CONSULTATION TIMELINE

Milestone	Date
DSB 2023 draft Access & Usage Agreement (UA) publication	* Tue 12 Apr 2022
Publication of DSB Consultation Paper (CP)	Fri 29 Apr 2022
Webinar *** Register ***	Wed 11 May 2022
Industry feedback on the CP	Fri 29 Apr - Mon 30 May 2022
Final Consultation Report publication	Thu 30 Jun 2022
Deadline for industry feedback on proposed UA changes	Fri 2 Sep 2022
DSB 2023 final UA publication	Wed 28 Sep 2022
User termination deadline	Fri 30 Sep 2022
Annual User fees for 2023 calculated	Mon 3 Oct 2022
2023 User fees published	Wed 5 Oct 2022



6. PROPOSED FORMAT FOR INDUSTRY RESPONSE

- Designed to consolidate industry feedback in a scalable manner
- Consultation responses to be completed using the form available [here](#) and emailed to industry_consultation@anna-dsb.com
- Stipulate whether the respondent wishes the response to be treated as anonymous. Note that all responses are published on the DSB website and are not anonymized unless specific requests are made
- Where applicable, responses should include specific and actionable alternative solution(s) that would be acceptable to the respondent in order to ensure that the DSB can work to reflect the best target solution sought by industry as a whole (within the governance framework of the utility)
- **Responses must be received by 5pm UTC on Monday 30th May 2022**
- Consultation related queries can be directed to industry_consultation@anna-dsb.com

7. CONSULTATION OVERVIEW

- Incorporates queries and feedback received from industry, including the Product and Technology Advisory Committees, since the DSB's consultation in 2021.
- To streamline the consultation process the DSB publishes a single consultation containing comprehensive information for users to consider.
- The revised consultation approach allows user fees to be published in October, rather than December of each year, in response to industry's request to bring the annual fee publication date forward.
- The DSB utilises targeted consultations with specific focus throughout the year, if required, to address any regulatory changes or industry requirements that fall outside the larger annual consultation process.
- The consultation questions this year are focused on global agile architecture, enterprise-wide risk monitoring tools, GUI enhancements for the 2023 service provision, the removal of VPN Connectivity from Cost Recovery and a request for feedback about OTC ISIN users using the Client Onboarding and Support Platform.

8. UPDATE ON ACTIVITIES FROM PRIOR CONSULTATIONS I OF II

Analysis Underway:

1. Approach to the implementation of a Security Operations Centre
2. Detailed review of its cloud deployment and the roles and responsibilities of its Service Provision Partner (SPP)

In Progress:

1. Dynamic Enumerations
2. Introduction of a Weekly Snapshot file (formerly known as “One-time data snapshots for download”)

8. UPDATE ON ACTIVITIES FROM PRIOR CONSULTATIONS II OF II

Completed:

1. MIFID II (RTS2) Asset Class Mapping analysis
2. ISIN to LEI mapping for CDS analysis
3. Equity Index Name Mapping analysis
4. Introduction of a new DSB user type - Search Only API User

9. CONSULTATION QUESTION 1

Global Agile Architecture

- In 2021 the DSB and the Technology Advisory Committee (TAC) undertook two pieces of analysis as part of the 2020 Industry Consultation exercise. A subcommittee of the TAC called the Cloud Architecture Subcommittee (CASC) was formed to provide oversight of this analysis.
- While considering either multi-cloud or multi-active region solutions for the DSB, the CASC identified six conclusions which it recommended should be progressed as a pre-requisite for either (or any other) solution being progressed.
- The approach was discussed at a special strategy meeting held in April 2022 with the full TAC membership. The TAC endorsed the CASC's recommendations to include this item in the 2022 Industry Consultation paper.
- The proposal includes establishing a new team to focus on the recommendations, a revised governance model which includes the TAC in control of the items to be progressed as well as regular reviews of the deliveries.
- The work is to be limited to a period of two years with the TAC able to reduce that if required.

Cost estimate: Opex €625k in 2023 and 2024; None from 2025 onwards

Question 1: Should the DSB progress the TAC CASC recommendations to enhance the DSB's operational processes? The activity would be governed by the TAC and last for an initial period of two years, subject to review by the TAC.

9. CONSULTATION QUESTION 2

Technology Controls: Tools

- The DSB is proposing to undertake a detailed review of their Enterprise tooling estate, with a goal to mitigate risk by improving automation and orchestration capability
- Increasing the DSB's capability for automation, orchestration and controls both preventative and detective within the service.
- The scope of the tooling review will include the full lifecycle of technology toolsets, including but not limited to
 - ❖ Collaboration
 - ❖ Build
 - ❖ Test
 - ❖ Deploy
 - ❖ Run
- The review will provide an assessment of the current tooling estate with proposals and supporting business case for future consideration
- Cost estimate: Opex €155k in 2023; None from 2024 onwards

Question 2: Should the DSB perform a review of the current toolset and identify any areas where services could and should be enhanced or improved?

9. CONSULTATION QUESTION 3

GUI Search Utility Improvements

- Improvements to the Graphical Interface to improve user experience
- DSB received feedback that many end users do not have the professional support to enable them to run efficient queries
- Current search facility uses a query script designed for use by IT professionals and developers
- Analysis undertaken in response to a [2020 industry consultation request](#).
- In addition to current search facility, the DSB proposes to introduce:
 - **Search by ISIN:** The user inputs a valid “EZ” ISIN and the data elements of the entered OTC ISIN are returned.
 - **Search by Attributes:** The user can filter the list of OTC ISINs through the main OTC attributes: Asset Class, Instrument Type, Product, CFI Code, Expiry Date and Status.
- The DSB PC has reviewed the proposed design and are supportive of its implementation
- Cost estimate: Capex €84k; Opex: €6K per annum

Question 3: Should the DSB implement the DSB PC approved functionality to allow end users to more easily search the OTC ISIN database via the DSB Graphical User Interface (GUI)?

9. CONSULTATION QUESTION 4

Support for provision of CFI codes for EMIR

- DSB proposes to extend the GUI functionality to return a product's CFI without generating an OTC ISIN
- Functionality already available to ReST and FIX API users
- Analysis undertaken in response to a 2020 industry consultation request.
- DSB has completed the analysis to extend this functionality to the GUI
- The proposed solution has been presented to the DSB Product Committee who support the design and implementation of the proposed enhancement.
- Cost estimate: Capex €40K; Opex: €4K per annum

Question 4: Should the DSB extend the GUI functionality to allow the user to input a request message that will return the product's CFI without generating an OTC ISIN?

9. CONSULTATION QUESTION 5

Removal of VPN Connectivity option from Cost Recovery

- The DSB currently provides users the option of connecting to its API services over the internet via a Virtual Private Networking (VPN) solution. However, out of the DSB's 72 Production API users, only 2 are now using this option to connect.
- The cost of providing this connectivity option is currently within the DSB's Cost Recovery ring-fence, which means these costs are recovered from all users of the DSB.
- The current annual infrastructure run costs for this option are approximately €35K.
- In order to ensure a fair allocation of costs, the DSB is proposing to make the VPN solution an optional commercial service outside the Cost Recovery ring fence.
- The impact of this move would be to lower the cost base of the DSB that is within the cost recovery ring fence.

Cost estimate: Opex €-35K from 2023 onwards

Question 5: Should the DSB remove the VPN connectivity option from the Cost Recovery model and instead make it an optional commercial service?

9. CONSULTATION QUESTION 6

Client Onboarding and Support Platform for OTC ISIN-only clients and clients subscribing to both OTC ISIN and UPI

- The DSB is currently implementing the Client Onboarding and Support Platform (COSP) to provide fee-paying UPI users with a streamlined and scalable on-boarding and user management self-service portal for administration of their UPI Service.
- When the COSP and UPI Service are launched, new and existing users of the OTC ISIN Service will continue to use the existing manual OTC ISIN processes to onboard and manage their relationship with the DSB. The DSB is aware that some users will wish to utilise both the UPI Service and the OTC ISIN Service. For such users, utilising two separate on-boarding and administration models to engage with the DSB's services may result in additional complexity and duplication of data and processes.
- Should the impending implementation of EMIR result in significant numbers of additional OTC ISIN users, this could negatively impact the DSB's cost structure given the manual processes involved in the existing OTC ISIN system would require increased resourcing.
- The DSB has no specific questions on this matter on the basis that any action taken by the DSB or the TAC will have no impact on 2023 costs. However, the DSB welcomes any general feedback from industry on the potential roll-out of the COSP to OTC ISIN users, which can be taken into consideration by the DSB as part of their deliberations, with ongoing oversight from the TAC.

10. PROPOSED FORMAT FOR INDUSTRY RESPONSE

- Designed to consolidate industry feedback in a scalable manner
- Consultation responses to be completed using the form available [here](#) and emailed to industry_consultation@anna-dsb.com
- Stipulate whether the respondent wishes the response to be treated as anonymous. Note that all responses are published on the DSB website and are not anonymized unless specific requests are made
- Where applicable, responses should include specific and actionable alternative solution(s) that would be acceptable to the respondent in order to ensure that the DSB can work to reflect the best target solution sought by industry as a whole (within the governance framework of the utility)
- **Responses must be received by 5pm UTC on Monday 30th May 2022**
- Consultation related queries can be directed to industry_consultation@anna-dsb.com

14. FURTHER INFORMATION

- Product documents, user notifications, FAQs & operational status: <https://www.anna-dsb.com/>
- Industry consultation reports and feedback: <https://www.anna-dsb.com/download/2022-industry-consultation-paper/>
- Third Party Assurance Audit: <https://www.anna-dsb.com/third-party-assurance-audit/>
- Fee Model Variables: <https://www.anna-dsb.com/fee-model-variables/>
- Fees & Rules: <https://www.anna-dsb.com/fees-rules-2022/>
- Analysis and Best Practice Guidelines: <https://www.anna-dsb.com/blog/>
- Technical documentation: <https://github.com/anna-dsb>
- Unique Product Identifier (UPI) latest information: <https://www.anna-dsb.com/upi/>
- Register here for the DSB: <https://www.anna-dsb.com/connectivity/>
- General questions: otc.data@anna-dsb.com

Thank you!