

DERIVATIVES SERVICE BUREAU

INDUSTRY CONSULTATION - 2021 DSB SERVICE PROVISION

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AREAS OF FOCUS

1. Background
2. Governance
3. Key Principles
4. Consultation Timeline
5. Proposed Format for Industry Response
6. DSB Utilization
7. Consultation Overview
8. Update on Activities Resulting from Prior Consultations
9. Consultation Questions
 - a) Support for enhanced supplier risk assessment frameworks
 - b) Security Operations Centre cost-benefit-risk analysis
 - c) Review enterprise-wide tooling capabilities
 - d) Review cloud infrastructure deployment and provider role
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?

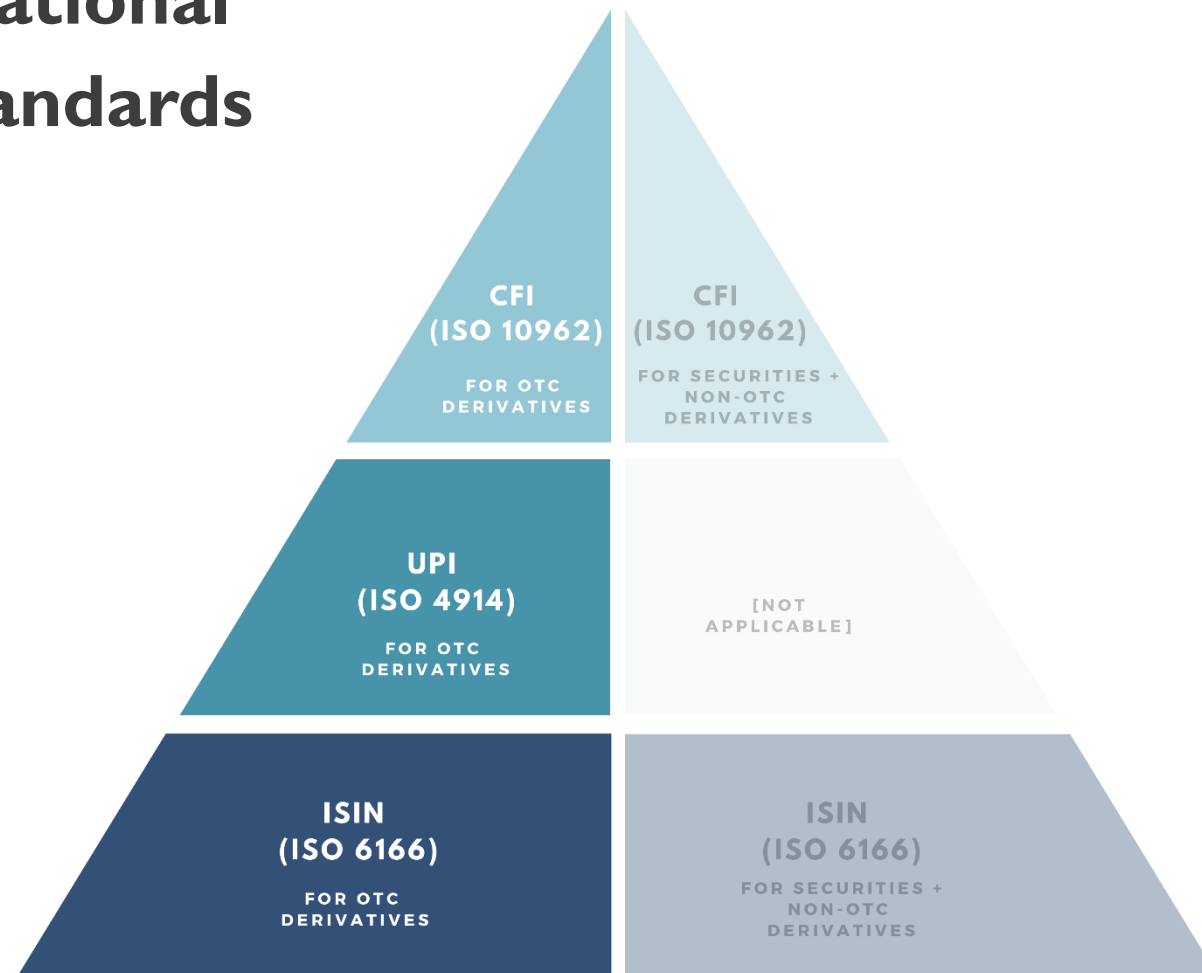
- **ISIN, CFI and FISN generation** for OTC derivative product as required by market participants
- **Distribution of OTC ISINs** and their associated reference data to market participants
- Access means include a **web interface, programmatic connectivity** and **file download**
- Future generation of **Unique Product Identifiers (UPIs)** – **from July 2022**

Drivers

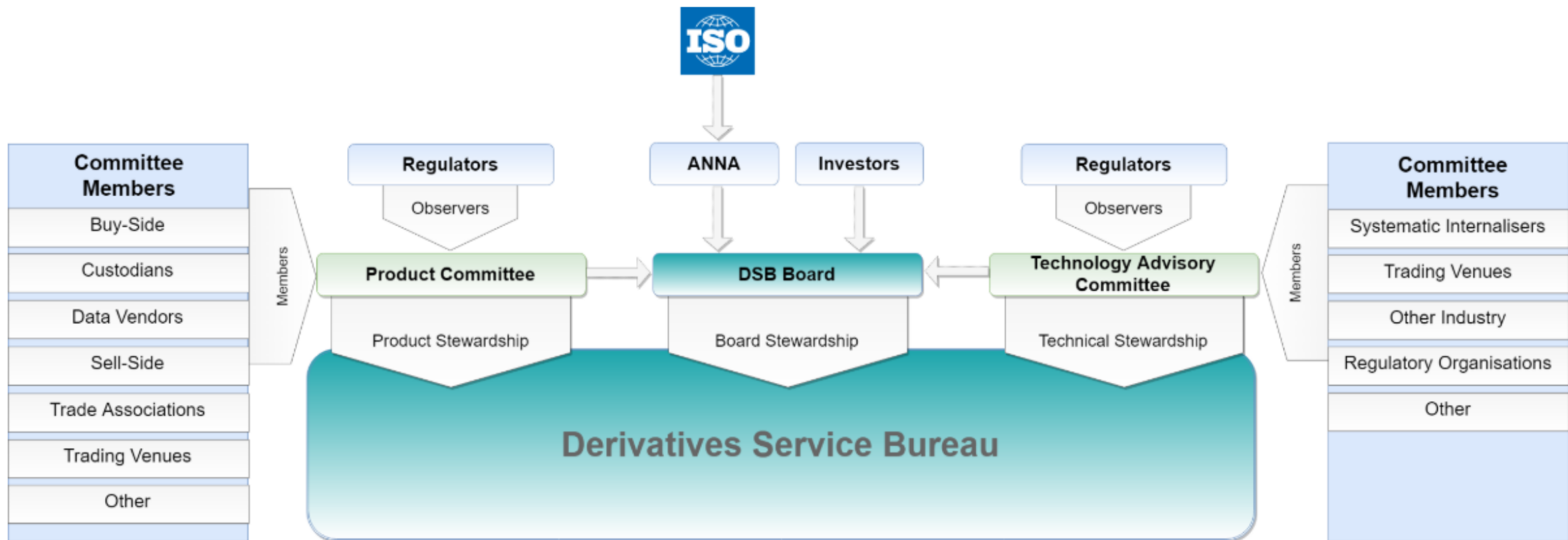
- **EU regulators** have **mandated** that ISINs identify instruments for **MiFID2 / MiFIR** reporting, including some **OTC derivatives**
- The **DSB** is the sole source of **ISINs for OTC derivatives** and was engineered to serve the needs of regulators and industry participants, to enable the industry 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 and AAF 01/06 Type II Report

Cost Recovery

- The numbering agency services will be 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. OTC ISIN CONSULTATION TIMELINE

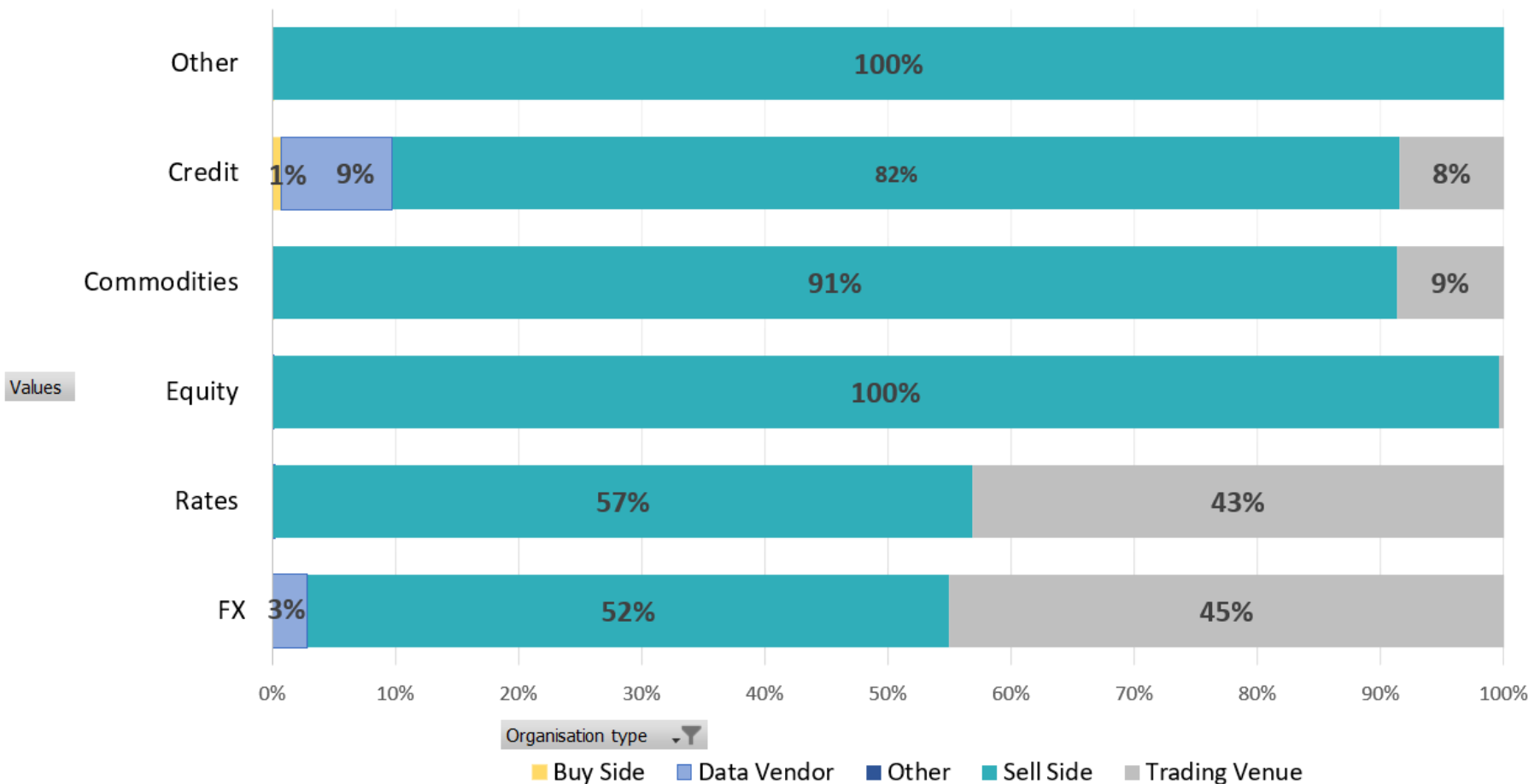
Milestone	Date
Publication of DSB Consultation Paper (CP)	Fri 30 Apr 2021
Webinar ** Link to Register **	Thu 13 May 2021 
Industry feedback on the CP	Fri 30 Apr - Mon 31 May 2021
Final Consultation Report publication	Thu 1 Jul 2021
DSB 2022 draft Access & Usage Agreement (UA) publication	Tue 10 Aug 2021
Deadline for industry feedback on proposed UA changes	Fri 3 Sep 2021
DSB 2022 final UA publication	Fri 17 Sep 2021
User termination deadline	Fri 1 Oct 2021
Annual User fees for 2022 calculated	Mon 4 Oct 2021
2022 User fees published	Wed 6 Oct 2021

5. 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 31st May 2021**
- Consultation related queries can be directed to industry_consultation@anna-dsb.com

6. DSB HIGHLIGHTS – I OF II

FX Rates Equity Commodities Credit Other

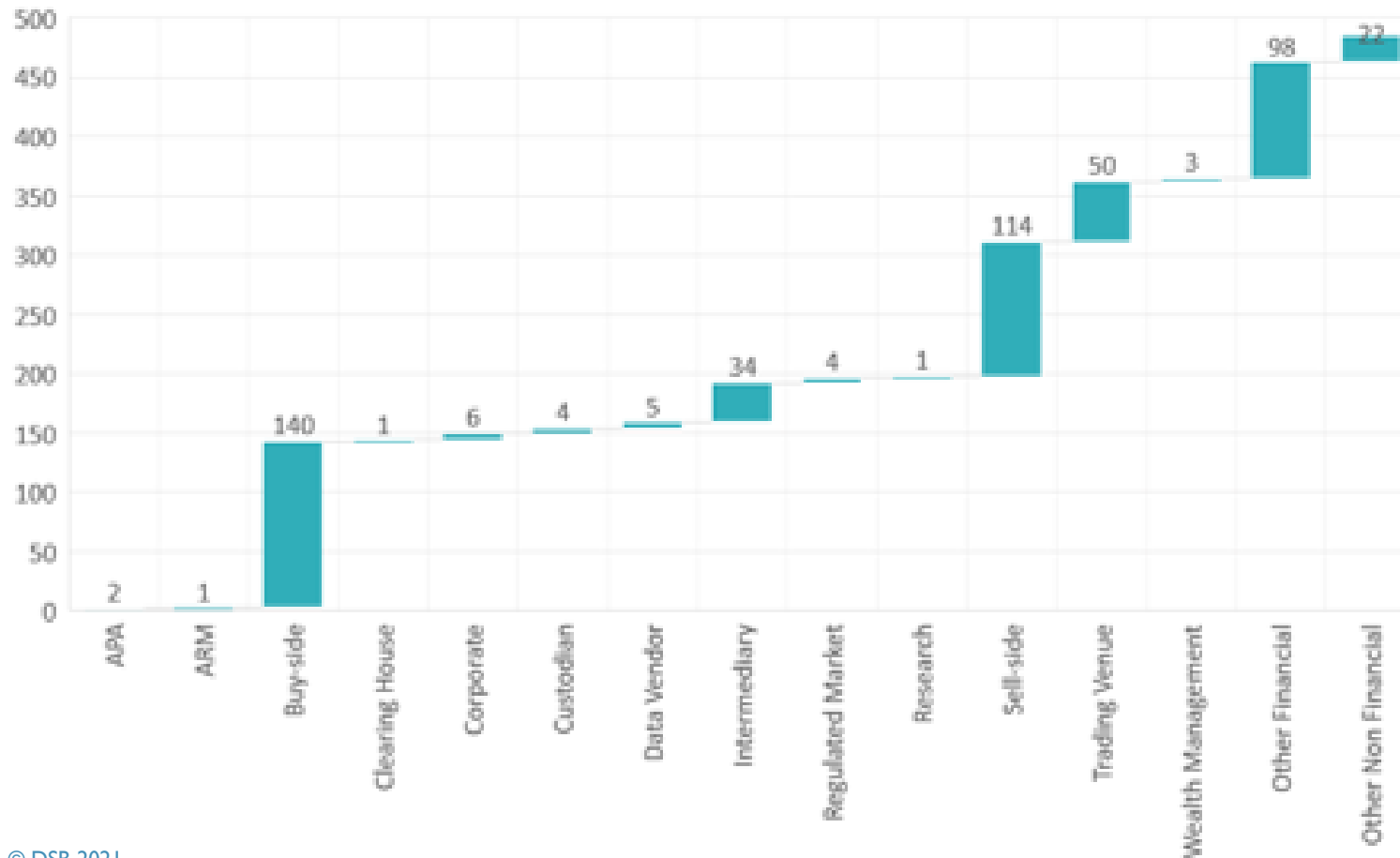


Highlights:

- The Sell-side continue to create 75% of all OTC ISIN records
- 15 institutions created 75% of all OTC ISINs
- DSB to launch UPI service in July 2022. [Full timeline here!](#)

6. DSB HIGHLIGHTS – II OF II

Number of Institutions Accessing the DSB for OTC ISIN, CFI and FISN data



DSB Users by Category

Approximately 3k accounts across more than 470 organizations:

FREE TO USE:

- Registered Users = 430 organizations

FEE PAYING, as per Q1 2021 Fee Model Variables:

- Infrequent Users = 42 organizations + affiliates
- Standard Users = 11 organizations + affiliates
- Power Users = 77 organizations + affiliates

7. CONSULTATION OVERVIEW

- Incorporates queries and feedback received from industry, including the Product and Technology Advisory Committees, since the DSB's consultation in 2020.
- To streamline the consultation process now publishes a single consultation containing comprehensive information for users to consider; previous years have contained two rounds of consultation.
- The revised consultation approach allows user fees are now 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 the core matters of cybersecurity risk assessments, enterprise-wide risk monitoring tools and enhanced support for expanding supplier risk assessment questionnaires for the 2022 service provision.

8. UPDATE ON ACTIVITIES FROM PRIOR CONSULTATIONS I OF II

Analysis Underway:

1. Introduction of structured communication formats to aid user automation and digitization
2. Introduction of a new DSB user type with the introduction of a Search Only API User
3. Introduction of a new service enabling one-time data snapshots for download

Completed:

1. DSB Governance Policy Dispute Resolution Mechanism

8. UPDATE ON ACTIVITIES FROM PRIOR CONSULTATIONS II OF II

Pending Action in 2021:

1. OTC Derivative FISN review
2. Multi-Cloud configuration risk assessment
3. Single Active Region risk assessment

9. CONSULTATION QUESTION 1

Supporting Enhanced Supplier Risk Assessment Requirements

- DSB users' have expanded the scope, frequency and comprehensiveness of their supplier risk assessment methodology with an expectation that such supplier risk assessments are expected to grow in frequency, detail, and scope.
- New requirements seek substantively more detailed information on a more frequent basis
- DSB fee-paying-users have an average of 164 questions per institution, varying in the level of detail required, the specificity and range of each question (min. 4 questions and max 400+ queries from a single client)
- Topics include but are not limited to operational resiliency, operational risk and controls, environmental sustainability, supplier diversity, labour rights, workplace safety, corporate social responsibility, compliance, cybersecurity and other know-your-third-party related items
- To ensure transparency and fair treatment for all DSB users, and mindful of the DSB's industry utility status, the DSB follows standardised processes and agreements when interacting with users of the DSB service, so that all DSB users have access to an equivalent level of information about the service and accompanying infrastructure
- Client expectations cannot be fulfilled by the DSB's existing resource base as resources are deployed to fulfil BAU activities and items prioritised and progressed based on industry consultation or at the request of the PC and the TAC

9. CONSULTATION QUESTION 1

Supporting Enhanced Supplier Risk Assessment Requirements

- When requesting the additional level of detail, DSB fee-paying users have cited the following when requesting the additional level of detail:
 - ❖ Periodic risk assessments of their suppliers are required, to protect the integrity of the individual organizations and their customers, and to meet their regulatory requirements. Any delays in provision of the information on behalf of the DSB are reportable to regulators, subject to the applicable jurisdiction.
 - ❖ There is a continued focus on efforts to build a more inclusive supply chain and workplace, as well as support ethical sourcing practices to reach corporate sustainability goals. The questionnaire completion request is a key proponent of this effort to ensure alignment with their goals and commitments.
 - ❖ An increased level of detail is expected to be part of their risk monitoring framework moving forward and applicable for all suppliers irrespective of the services provided.
- The DSB is proposing to add to its skill mix in a cost efficient and streamlined manner, so that it can more readily liaise with customers seeking information to provide the enhanced level of support now expected by clients, across an increasingly broader range of supplier risk assessment topics, while also ensuring that information is made available in a transparent and equitable manner to all DSB users.

9. CONSULTATION QUESTION 1

Supporting Enhanced Supplier Risk Assessment Requirements

- If industry was to approve the additional resources, the DSB would be in a position to better support client requests by working in partnership to:
 - ❖ enable the DSB to start to engage bilaterally with clients about their specific needs
 - ❖ ensure the DSB was sufficiently resourced such that it could review each incoming client query and provide the more detailed responses now being required by DSB fee-paying users' organizations,
 - ❖ ensure that the resulting information could be placed in a centralised location on the DSB's website such that all DSB users could benefit from the additional transparency.
- The DSB's streamlined support to facilitate clients' growing supplier risk assessment requirements is aimed at assisting DSB fee-paying-users (who are the only type of DSB user that has cited the need) with enhanced support so that their queries can be addressed in a more consistent and comprehensive manner.
- Cost estimate: Opex €312,125 in 2022; €312,125 in 2023; to be determined for 2024 onwards.

Question 1: Should the DSB support the enhanced supplier risk assessments, subject to a two-year review period to determine if DSB fee-paying-user requirements have stabilized?

9. CONSULTATION QUESTION 2

Security Controls: Security Operations Centre

- The DSB believes it is appropriate to undertake a detailed analysis on the implementation of a Security Operations Centre, either on-site or contracted to a third-party
- A Security Operations Centre can provide:
 - ❖ **Proactive detection** of malicious network and system activity.
 - Will enable the DSB Information Security Team to be alerted to a potential breach. This will allow for analysis to occur to determine if the alert has production impact. Also allows for any impact to be isolated and potentially minimise the effect on the business.
 - ❖ **Threat awareness**
 - Enables the team to adjust defenses before the threat affects the infrastructure and DSB business.

9. CONSULTATION QUESTION 2

Security Controls: Security Operations Centre

❖ Vulnerability management

- Enables scanning to analyse what assets may be vulnerable on the DSB's network to new threats before they are exploited.

❖ Awareness of hardware and software assets

- Enables scanning to provide an up-to-date asset register so we can be aware of developing threats to them.

❖ Log management

- Will enable the DSB Information Security Team the ability to complete forensics if you do incur an incident or breach.

- Cost estimate: Opex €155k in 2022; None from 2023 onwards

Question 2: Should the DSB perform a cost, benefit and risk analysis on the implementation of a Security Operations Centre?

9. CONSULTATION QUESTION 3

Technology Controls: Enterprise Tooling Estate

- The DSB is proposing to undertake a detailed review of their Enterprise tooling estate
- 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 2022; None from 2023 onwards

Question 3: 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 4

Cloud Deployment Maturity

- The DSB is proposing to undertake a detailed review of its cloud deployment and the roles and responsibilities of its Service Provision Partner (SPP)
- This is due to a number of outages experienced, and service improvement opportunities missed by the SPP, which require a more detailed review
- During 2020 AWS releases over 1,000 major enhancements and 12 brand new services, some of which could have had a positive impact to the DSB, whether that be in usability, security, performance, scalability or cost efficiency.
- Our current Cloud Infrastructure Service Provider (CISP) has not proactively proposed any enhancements to the DSB service in relation to cloud deployments.
- A well-managed and securely deployed Cloud infrastructure is a significant piece of ensuring we are managing our Technology controls effectively.
- Cost estimate: Opex €120k 2022; None from 2023 onwards

Question 4: Should the DSB perform a detailed technical review of its cloud infrastructure deployment and the role of its Service Provision Partner?

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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-2021/>
- 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!