

DERIVATIVES SERVICE BUREAU

INDUSTRY CONSULTATION - 2024 DSB SERVICE PROVISION

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AREAS OF FOCUS

1. DSB Overview
2. OTC ISIN Governance
3. Key Principles of the DSB
4. DSB Utilization
5. Consultation Timeline
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7. Consultation Overview
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 - b) Proprietary Index Workflow
 - c) Release Process
 - d) Search Only API User Type Fee Determination
 - e) Additional feedback
10. Further Information

I. DSB OVERVIEW – I OF II

What is the DSB?

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

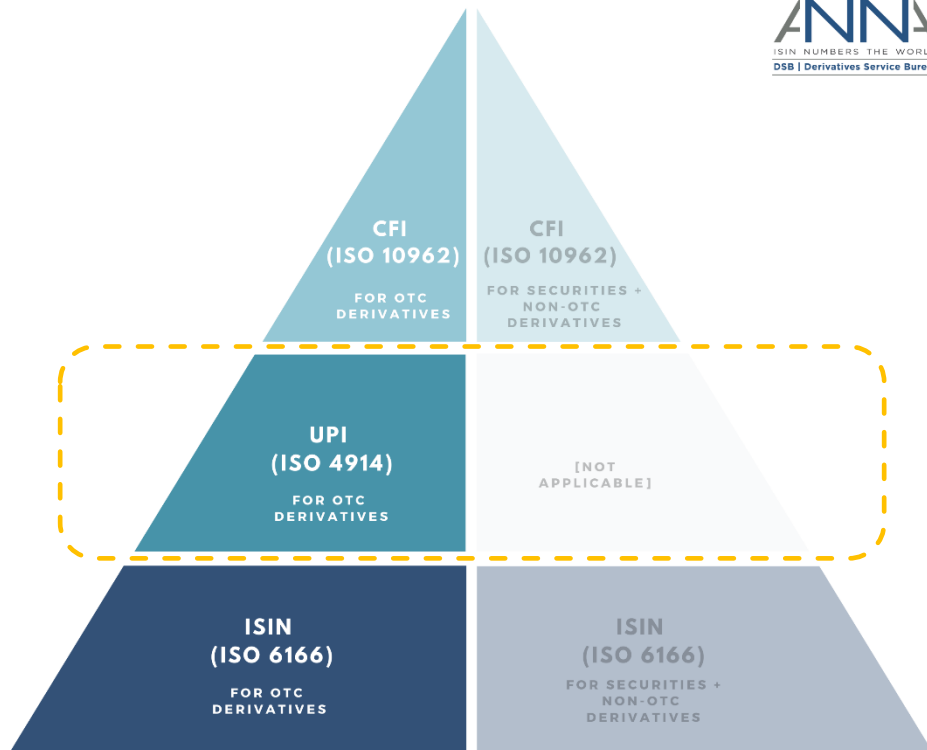
What does the DSB do?

- **ISIN, UPI, CFI and FISN generation and retrieval** for OTC derivative products, as required by market participants
- **Distribution of OTC ISINs and UPIs** and their associated reference data to market participants
- Access methods include a **web interface, programmatic connectivity and file download**

Drivers

- **EU and UK regulators** have **mandated** that ISINs are used to identify some **OTC derivatives** for regulatory reporting
- **Jurisdictional mandates of the EU, US and UK** require the reporting of UPI into firms reporting workflows for submission to trade repositories from 2024
- The **DSB** is the sole source of **ISINs and UPIs for OTC derivatives** and was engineered to serve the needs of regulators and industry participants, to enable fulfilment of supervisory responsibilities and regulatory obligations

I. DSB OVERVIEW – II OF II

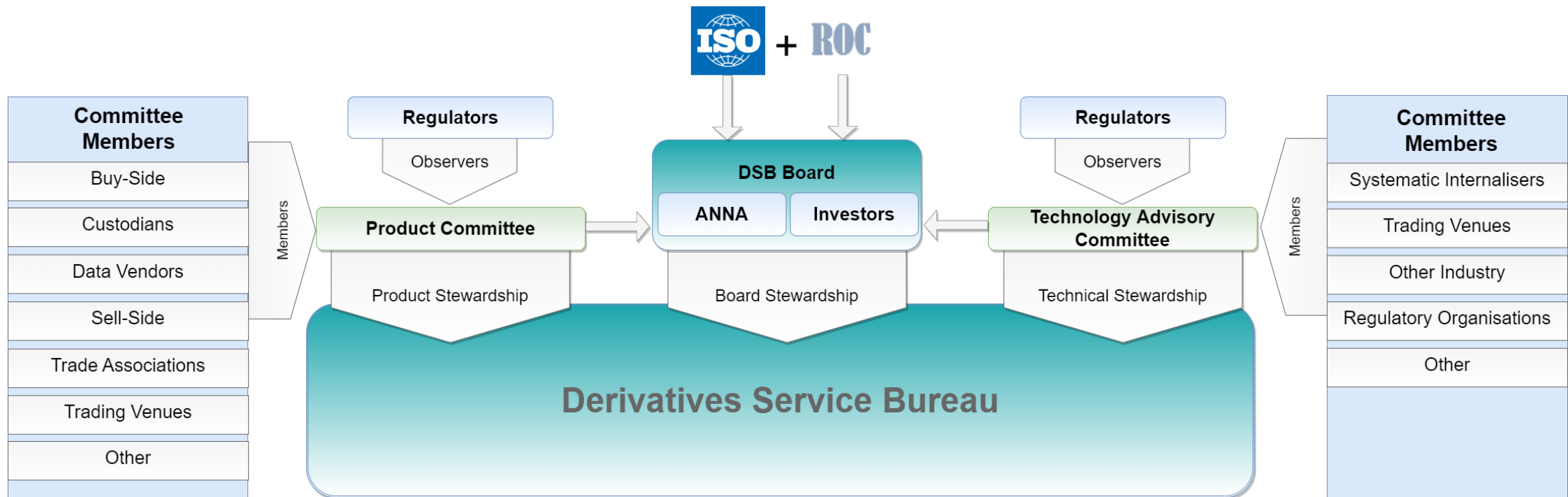


The DSB is responsible for the generation of the CFI, UPI and ISIN for OTC Derivative Products.

These identifiers based on ISO standards and each serves a different purpose in facilitating relevant reporting obligations across the globe.

- The **CFI** enables a consistent approach to grouping instruments with similar features by providing a common set of classification definitions.
- The **UPI** facilitates effective aggregation of OTC derivatives transaction reports on a global basis to provide regulators with an improved, consistent view and common understanding of systemic OTC derivative risks.
- The **OTC ISIN** is used for market abuse, price manipulation and spot risks to financial stability at national and cross-border levels.

2. OTC ISIN GOVERNANCE



3. KEY PRINCIPLES OF THE DSB

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](#)

Reasonable and Non-Discriminatory (RAND) Access and Use

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

3. KEY PRINCIPLES OF THE DSB

Cost Recovery

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

Payment in Advance

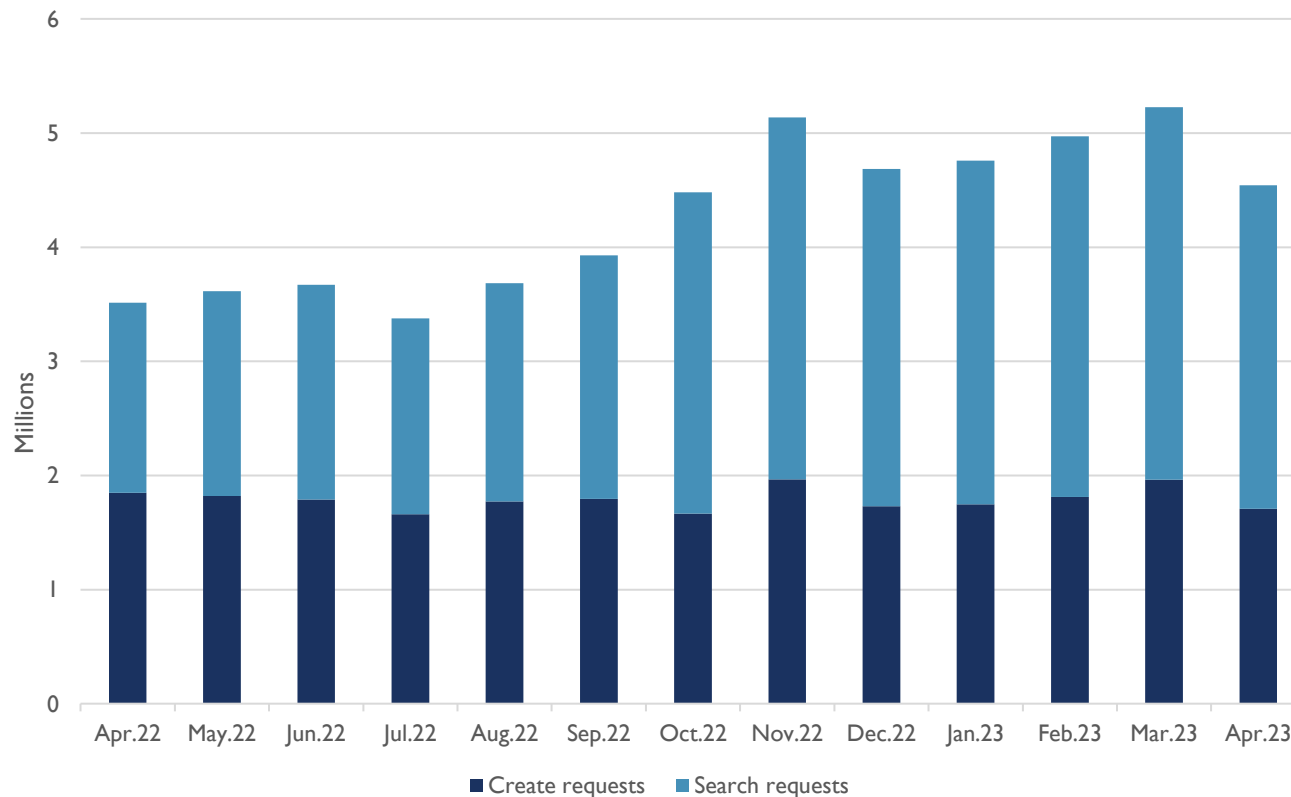
- To the extent possible, the DSB will levy fees through annual contracts that require payment in advance. This advance yearly commitment offers the DSB more clarity in aligning fee levels with cost recovery. For the users, it provides improved ability to forecast their costs for utilising DSB Services.

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

Creation and Search trends per month

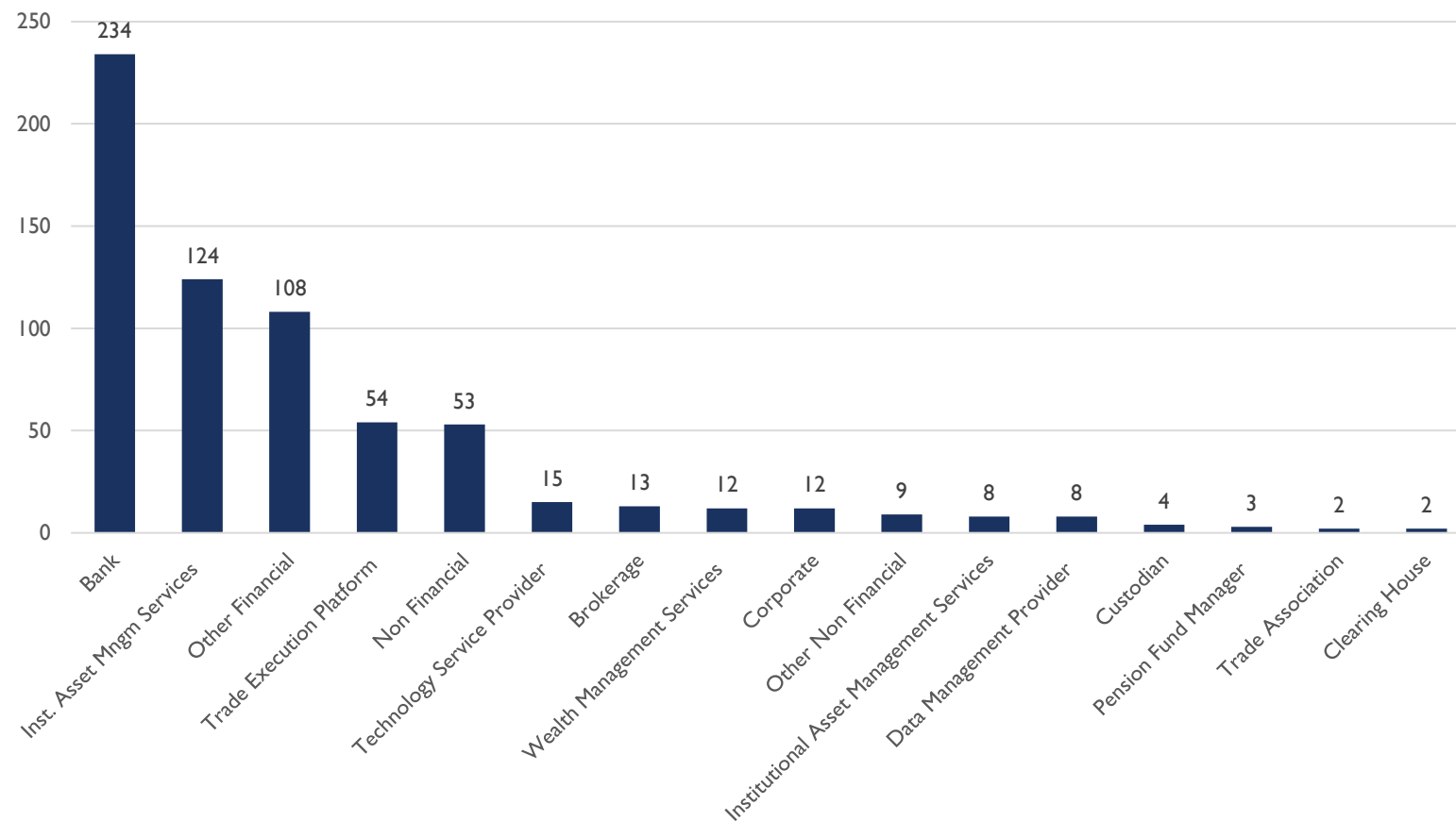


Highlights:

- The Sell-side continue to create 77% of all OTC ISIN records.
- 17 institutions created 80% of all OTC ISINs.
- Since the launch of the DSB's OTC ISIN and CFI service the total number of Search requests exceeds the number of ISINs created for the last 20 months.
- UPI UAT is now live and available for onboarding via the Client Onboarding and Support platform (COSP).

4. DSB UTILIZATION – II OF II

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



DSB Users by Category

Approximately 2.8k accounts across more than 650 organizations:

FREE TO USE:

- Registered Users = 550 organizations

FEE PAYING, as per Q1 2023 Fee Model Variables:

- Infrequent Users = 42 organizations + affiliates
- Standard Users = 11 organizations + affiliates
- Power Users = 73 organizations + affiliates
- Search Only Users = 2 organizations + affiliates

5. OTC ISIN CONSULTATION TIMELINE

Milestone	Date
Publication of DSB OTC ISIN and CFI Consultation Paper (CP)	Fri 28 Apr 2023
Webinar	Tue 9 May 2023
Closing date for stakeholder feedback on the CP	Wed 31 May 2023
Final Consultation Report publication	Fri 30 Jun 2023
User termination deadline	Mon 2 Oct 2023
Annual User fees for 2024 calculated	Wed 4 Oct 2023
2024 User fees published	Fri 6 Oct 2023

6. 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 Wednesday 31 May 2023**
- 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 2022.
- To streamline the consultation process, the DSB publishes a single consultation containing comprehensive information for users to consider. This approach allows user fees to be published in October, rather than December of each year, as requested by stakeholders 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 seek to obtain industry views on several topics: a Security Operations Centre (SOC), the Proprietary Index Workflow, the Software Release cycle and Search Only API User Type Fee determination. The [2023 Industry Consultation paper](#) related to the 2024 OTC ISIN and CFI service provision presents detailed information for market participants' review and feedback.

8. UPDATE ON ACTIVITIES FROM PRIOR CONSULTATIONS I OF II

Completed:

1. Weekly Snapshot Implementation
2. Proprietary Indices Workflow Analysis
3. Security Controls: Security Operations Centre Analysis
4. Cloud Deployment Maturity Analysis
5. Secure Software Development Life Cycle (SDLC) Gap Analysis
6. ISO 27001 Readiness
7. Dynamic Enumerations

8. UPDATE ON ACTIVITIES FROM PRIOR CONSULTATIONS II OF II

Work being undertaken in 2023:

1. Global Agile Architecture (GAA) Programme
2. Technology Controls Programme: Tools
3. GUI Search Utility Improvements
4. Support for provision of CFI codes for EMIR
5. Removal of VPN Connectivity option from Cost Recovery

9. CONSULTATION CONSIDERATIONS

Consultation Topic	Proposed cost impact
Q1 – Security Operations Centre	<p><u>Option 1 *</u></p> <ul style="list-style-type: none"> • 2024: € 503.75k • 2025-2028: € 1,122.19K • 2029-: € 1,007.50K <p><u>Option 2 *</u></p> <ul style="list-style-type: none"> • 2024: € 435K • 2025-2028: € 951.88K • 2029-: € 870K
Q2 – Proprietary Index Workflow	<ul style="list-style-type: none"> • Not Applicable
Q3 – Release Process	<ul style="list-style-type: none"> • Not Applicable
Q4 – Search Only API User Type Fee Determination	<ul style="list-style-type: none"> • Not Applicable

* Depending on option recommended by TAC

9. CONSULTATION QUESTION I

Security Operations Centre

- As part of the 2022 industry consultation exercise the DSB undertook an investigation into what it would take to implement a Security Operations Centre. The DSB conducted a Request for Proposal (RFP) process but only received one vendor response preventing a quote comparison.
- Given the lack of responses, the DSB has investigated an alternative option to introduce Security Incident Event Management (SIEM) Tooling under the umbrella of the existing MSP support function.
- Two options are presented below:

Option	Description	6 Month Build Cost (CAPEX)*	12 Month Run Cost (OPEX)*
3rd Party SOC	Outsourced 24x7 SOC, SIEM and security triage	€458.8k	€1,007.5k
DSB SOC	Enhance existing 24 x 7 DSB support team with additional SIEM tooling and security resource	€327.5k	€870k

Impact on DSB total costs: €483.6k in 2024; €913.8k - €1,077.3k in each year in 2025-2028; €835.2k – €967.2K from 2029 onwards

Question 1: Should the DSB progress with the deployment of a Security Operations Centre with the preferred delivery option being defined by the TAC?

9. CONSULTATION QUESTION 2

Proprietary Index Workflow

- The DSB's Proprietary Index allows fee-paying users of the DSB OTC ISIN Service to submit proprietary indices to be used as an underlying for OTC Derivative instruments.
- The DSB undertook analysis to determine the effort required to automate the Proprietary Index workflow and concluded that size of investment could not be justified given the infrequent nature of the Proprietary Index submissions.
- The process remains based around email requests which are processed manually by the DSB which has occasionally caused delays. Given there has been a recent uplift in Proprietary Index submissions, the DSB seeks to obtain feedback on the Proprietary Index process.

Question 2: Is the current Proprietary Index process fit for purpose? If no, then please answer questions 2.2 and 2.3 below.

Question 2.2: If the Proprietary Index process is not fit for purpose, what issues have you encountered with the process and what impact have these caused to your organisation?

Question 2.3: Do you have any suggestions as to how the Proprietary Index process could be improved?

9. CONSULTATION QUESTION 3

Release Process

- The DSB has received requests to postpone the last three releases to the Production Environment. All three were received from single clients, close to the production implementation date requiring escalation to the DSB Management Team and the TAC.
- Following bilateral discussions with each of the three clients who requested a postponement, the DSB has identified improvements and questions for industry to opine on. The DSB is proposing to make the following changes to the release process:
 - Publish draft JSON templates with the draft documentation.
 - Show any changes made between the draft and final versions of the documentation.
 - Ensure releases with breaking changes are clearly marked.
 - Clearly identify breaking changes in the notification email.

Question 3.1: Do you agree with the proposed improvements to the DSB release process?

Question 3.2: Do you have any other suggestions as to how the DSB can improve its release process to avoid the need for last minute deferral requests?

9. CONSULTATION QUESTION 4

Search Only API User Type Fee Determination

- The Search Only API User Type was introduced as a new user type in 2022 after industry support in responses to the 2020 Industry Consultation paper with Search Only API User Fees set at 50% of the Standard User Fee.
- The Search Only API User Type is a programmatic user type allowing up to 2,000 search requests a week, with 50 search results returned at a time.
- The Standard User Type allows creates and searches for OTC ISINs via the Graphical User Interface (GUI) only.
- The Power User Type is a programmatic user type allowing up to 100,000 search requests a week, with 500 search results returned at a time and 50,000 ISIN create requests per week.
- As API functionality requires more infrastructure and support costs than GUI user types, a request for consideration is proposed as to whether this should be reflected in the Search Only API User fee.
- If progressed, the proposed adjustment to the Search Only API User Type Fee will be presented to the DSB Board for approval prior to being reflected in the fee model variables and user fee determination for 2024.

Question 4: Should the Search Only API User Fee be represented as 1/3 of the Power User fee, reflecting the infrastructure and support costs for programmatic connectivity?

9. ANY OTHER COMMENTS

This section is an opportunity for respondents to provide feedback and commentary on any other aspects they believe should be considered.

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10. FURTHER INFORMATION

- Product documents, user notifications, FAQs & operational status: <https://www.anna-dsb.com/>
- Industry consultation reports and feedback: <https://www.anna-dsb.com/2023-otc-isin-and-cfi-service-provision-consultation/>
- 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-2023/>
- 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://cosp.anna-dsb.com/home>
- Details here for OTC ISIN registration: <https://www.anna-dsb.com/ISIN>
- General questions: <https://www.anna-dsb.com/contact-us/>

Thank you!