

DSB PRODUCT COMMITTEE MEETING MINUTES

Meeting: The 173th DSB Product Committee Meeting

Date: 30-Nov-2021 **Time:** 15.00 – 16.30 UTC **Location:** DSB Offices /
Teleconference

| Name | PC Role | Institution | Attendance |
|----------------------|--------------------------|------------------------------------|------------|
| Harry McAllister | Co-Chair | BNP Paribas | Yes |
| Joseph Berardo | Co-Chair | Intercontinental Exchange | Yes |
| Michael Burg | Product Committee Member | State Street Financial | Yes |
| Martyn Cole | Product Committee Member | Refinitiv | Yes |
| Jourik De Lange | Product Committee Member | Smartstream RDU | Yes |
| Dawd Haque | Product Committee Member | Deutsche Bank | Yes |
| Dominic Harth | Product Committee Member | Union Investment Privatfonds GmbH. | Absent |
| Uwe Hillnhuetter | Product Committee Member | Tradeweb | Yes |
| Nicholas Moger | Product Committee Member | J.P Morgan | Apologies |
| Navraj Panesar | Product Committee Member | Citigroup | Absent |
| Gregg Rapaport | Product Committee Member | DTCC | Yes |
| Kirston Winters | Product Committee Member | IHS Markit | Yes |
| Mari Asakura | Regulatory Observer | JSDA | Absent |
| Davide Panadori Cino | Regulatory Observer | ESMA | Apologies |
| Giulia Ferraris | Regulatory Observer | ESMA | Apologies |
| Eiichiro Fukase | Regulatory Observer | JSDA | Yes |
| Dr Olaf Kurpiers | Regulatory Observer | BaFin | Apologies |
| Frank Lasry | Regulatory Observer | AMF | Apologies |
| Jean O Bray | Regulatory Observer | FCA | Absent |
| Alex Stirling | Regulatory Observer | FCA | Yes |
| Robert Stowsky | Regulatory Observer | CFTC | Yes |
| Dominik Zeitz | Regulatory Observer | BaFin | Absent |
| Andrew Bayley | Observer | ISDA | Absent |
| Lisa Taikitsadaporn | Observer | FIX Trading Community | Yes |
| Fiona Willis | Observer | GFMA | Apologies |
| Emma Kalliomaki | DSB Board Sponsor | DSB Board | Yes |
| Malavika Solanki | DDO | DSB | Yes |
| Simon Wiltshire | Alternate DDO | DSB | Yes |
| Adam Grace | Alternate DDO | DSB | Yes |

No Topics

1 Introduction & Agenda

2 Competition Law Reminder

Presented.

3 Review Minutes from Previous Meeting

The prior meeting's minutes were approved and are now considered final.

4 Announcements

PC Members were reminded of the ongoing consultation on UPI legal terms and conditions, and noted that there may be some impact for OTC ISIN users too. Members were encouraged to review the consultation, and revert with feedback no later than 19th January 2022.

5 Open Actions

| | | | |
|------------|--|------------|---------------|
| 413 | The DSB to obtain regulatory feedback on CFI 2019 adoption after the initial outreach by the DSB, following completion of action 412. <i>Update : DSB to consolidate all key principles and this has been shared with regulators.</i> | DDO | CLOSED |
| 485 | The DSB are to work with the PC to produce best practice guidance on the treatment of the funding leg in the generation of UPIs. | DDO | OPEN |
| 506 | PC to discuss feedback from regulators relating to questions received regarding industry's queries pertaining to the UPI. <i>Update : DSB have received feedback from the CDIDE. This has been shared with PC members and will be discussed at today's meeting.</i> | DDO | CLOSED |
| 508 | PC to discuss feedback from CFI maintenance agency regarding NDF's on Bitcoin. <i>Update: Awaiting review and feedback from ISO.</i> | DDO | OPEN |
| 511 | The DSB to raise the issue of Backwards Compatibility for the OTC ISIN and UPI with the CDIDE for further consideration. | DSB | OPEN |
| 514 | This new OTC ISIN status and status reason regarding Orphan ISINs to be reflected in the OTC ISIN status materials. <i>Update expected in Q1 2022.</i> | DDO | OPEN |
| 515 | The DSB to revert with a date for PC review of the UPI Status document. <i>Update expected in Q1 2022.</i> | DDO | OPEN |
| 517 | The DSB to ask responsible institutions for information concerning the creation of Non-Standard Options without Option Type / Exercise Style. <i>Update: The DSB are yet to receive meaningful and useful feedback from institutions. The DSB are to reach out once again in the new year. Target Date extended to end of Jan 2022.</i> | DDO | OPEN |
| 519 | The DSB provide data confirming what underlying asset values were currently being referenced – for each of FX Forwards and FX Options - in the creation of OTC ISINs when using the CFI 2015 standard. | DSB | OPEN |
| 520 | UPI principles agreed by the PC are to be shared with regulators. | DDO | CLOSED |
| 522 | The DSB to revert with implementation timelines following completion and sign-off of the change request document. | DDO | OPEN |
| 526 | The DSB are to consolidate the questions raised by the PC regarding Primary and Alternative Identifiers which are to be discussed at a future PC meeting | DSB | CLOSED |

before being formally presented to the CDIDE, with responses to be brought back to the PC.

Update: See Section 9.

| | | | |
|------------|--|------------|---------------|
| 527 | DSB to present more information about the types of data elements being proposed for the securities asset categories, as well as other relevant details of the content of each asset type package be provided to aid their decision making. <i>Update: See Section 9.</i> | DSB | CLOSED |
| 528 | The DSB to confirm whether and how the inclusion of an alternate ID related workflow as well as the number of asset type packages would affect the DSB's committed delivery timeline of UAT in Apr 2022 followed by Production launch in July 2022. <i>Update: See Section 9.</i> | DSB | CLOSED |
| 529 | The DSB to confirm whether it proposes to validate each alternate ID submitted by users to confirm that the ID was issued by the relevant data provider. <i>Update: See Section 9.</i> | DSB | CLOSED |
| 530 | Confirmation of whether the DSB will rely on the data vendor to undertake all ID mapping activity, as well as own responsibility for communicating (to the DSB and subsequently the PC) any mapping errors and/or changes. <i>Update: See Section 9.</i> | DSB | CLOSED |
| 531 | The DSB to confirm whether it proposes to validate the underlying LEI submitted for either UPI or OTC ISIN purposes. <i>Update: See Section 9.</i> | DSB | CLOSED |
| 532 | The DSB to share information about the rationale for the exclusion of Commodities from the proposed list of asset type packages. <i>Update: See Section 9.</i> | DSB | CLOSED |
| 533 | The DSB to share a summary of the agreed validation rule for alternative identifiers that can be used for known underliers be re-distributed to Members as a reminder | DSB | CLOSED |
| 534 | The DSB to present details of the optimal means of reviewing current coverage of third-party index names in relevant templates, expansion of these where required (for both the UPI and the OTC ISIN) | DSB | CLOSED |
| 535 | The DSB are to share details regarding how proprietary indexes will be treated and the intended support. | DSB | OPEN |

5 Announcements

The PC were advised of the following;

- That the DSB's technology freeze was to commence shortly
 - That the UPI legal consultation was open, with the feedback window closing on 19 January 2022
 - That the UK FCA had recently published a consultation on UK EMIR related matters, including the reporting of UPIs
-

That the ROC had recently announced the creation of an industry representation group to address matters relating to the CDE, UTI, and UPI (outside PC matters)

| 6-7 | Current DSB Tasks | Status | Priority | Med |
|----------|---|--------|----------|------|
| DSB-8 | Review Source of Commodity Index DSB to continue discussion with Commodity index providers with the aim of having an agreed design and an agreement in principle by end of Q3 2020. | | In Prog | Low |
| DSB-53 | Set Maximum Number of Items in Arrays The system needs to impose a maximum number of input values against each array to protect the system from unvalidated input. | | Tech | Med |
| DSB-62 | CFI Code Service DSB-managed service that will return CFI codes for any OTC derivative products without the associated generation of an ISIN (Analysis Only). | | Tech | High |
| DSB-63 | RTS 2 Sub-Asset Class Mapping To provide a mapping of DSB products to MiFID II (RTS 2) Sub-Asset Class and publication in machine-and human-readable formats (Analysis Only). | | In Prog | Low |
| DSB-67 | GUI Search Utility Improvements To examine how the GUI-based search utility may be improved to allow users to perform searches without search semantic knowledge (Analysis Only). | | Tech | Med |
| DSB-90 | Price Multiplier Validation The Price Multiplier is subject to inconsistent rounding when very large numbers are input (eg: greater than 18 digits). | | Tech | Low |
| DSB-133 | Prop Index Process Analysis Analyse the Proprietary Index management provision to identify efficiency and service improvements. | | Tech | High |
| DSB-370 | CFI 2019 Support Support the updated 2019 ISO Standard for CFI (10962) throughout the DSB product suite. | | Tech | Low |
| DSB-1076 | Structured Email Messages To allow users to specify the types of DSB notification that they receive. | | Sched | Med |
| DSB-1120 | ISDA 2021 New GUI Titles To provide solution options in implementing ISDA 2021 changes in the GUI to enhance user-experience. <i>Scheduled for release: Jan 2022</i> | | Sched | Low |
| DSB-1132 | Search Only User Type | | Tech | Med |

To provide a cost-effective solution for DSB API users who wish to perform searches against the OTC ISIN database in real-time without the ability to create ISINs.

| | | | |
|-----------------|---|---------|------|
| DSB-1135 | Streamline two-step OTC ISIN Streamline process of two-step OTC ISIN generation.(Swaption/FX Swap) | Queue | High |
| DSB-1410 | Evaluate ISO 3166 (2 char) Validation 2-char prefix validation for the entry of underlier instrument ISIN. | In Prog | High |
| DSB-1566 | ISO 20022 Mappings Update ISO 20022 Code Mapping for Rates and Non-Standard products in-line with FpML CS. Update: Analysis shared with ISDA & FpML working group. | In-Prog | TBC |
| DSB-1571 | New Currency Codes Add VED and UYW to the ISO Currency Code Codeset. (all templates) | Queue | High |
| DSB-1574 | Header Attributes Add hierarchy attributes to OTC ISIN Header in preparation for UPI go-live. | Queue | Med |

8 CDIDE Response to the PC

Previously, the DSB shared a number of questions received from PC members regarding UPI with the CDIDE. The DSB presented the CDIDE's responses with PC members;

- 1. When will users be expected to commence reporting UPIs to TRs? CDIDE answer:** *There is the expectation of a progressive implementation across CDIDE jurisdictions from end 2022, over the course of 2023, up to the beginning of 2024. This indication should be considered as the best available estimate at this stage and may be subject to change.*
-- The PC also noted that the DSB is currently evaluating the regulatory adoption landscape as part of its ongoing risk assessment programme.
- 2. Do all OTC derivatives trades need a UPI to be assigned to them? CDIDE answer:** *Generally in the CDIDE jurisdictions new trades and modifications to existing trades subject to reporting will need to have assigned a UPI, except for the EU where, according to the referred ESMA Final report, all derivatives admitted to trading or traded on a trading venue or on a Systematic Internaliser (SI) would need to be identified with ISIN (only), whereas all remaining derivatives ('pure OTC') would need to be identified with UPI (only).*
-- The PC also noted that the recent UK FCA consultation had proposed a similar approach to that adopted by the EU.
- 3. Are regulators expecting to receive updated UPIs for all FROs, including fallbacks? CDIDE answer:** *There is an expectation that whenever a trade is amended with regards to the characteristics of the product (such as when the fallback is triggered, from the economic perspective the derivative is based on the risk-free rate that replaced the previous rate as a result of the triggering of the fallback), the UPI will be also amended. However, while the change in the reference rate should be reflected in the*

UPI, the reasons for the change (i.e., the event that triggered the change) should not in itself be reflected in the UPI reference data.

-- The PC discussed the matter and noted that the CDIDE's response diverged from industry expectations as market practitioners believe that IBOR cessation is a discoverable event; that a metadata field to indicate whether a trade had been subject to fallback terms would be preferred to distinguish between a new trade on a new risk-free-rate and a legacy trade that had fallen back; that in light of the limited time to market - with the transition date a month away – PC Members did not see merit in pursuing the matter further.

4. What is the regulatory expectation with respect to alignment of CDE across jurisdictions? **CDIDE answer:** *The CDE TG (and its forthcoming revisions) provide guidance to authorities on how to implement data elements if they plan to do so. It does not provide regulatory expectation on which data elements will be implemented by jurisdictions but on how these will be implemented if jurisdictions choose to do so. In any case, the CDIDE will determine an appropriate forum for considering industry questions regarding CDE.*

-- The PC noted their expectation that the matter would be discussed at the broader industry representation group recently announced by the ROC (ref. section 5).
5. **On a longer-term basis, does the ROC (and the regulatory community) plan on requiring (allowing?) data elements (CDE) that are also included in the UPI to be reported to TRs? CDIDE answer:** *At this stage there is no plan to include among the CDE data elements any UPI reference data. Jurisdictions can however require more data elements to be reported to TRs than the ones included in the CDE TG. In any case, the CDIDE will determine an appropriate forum for considering industry questions regarding CDE.*

-- The PC noted their expectation that the matter would be discussed at the broader industry representation group recently announced by the ROC (ref. section 5).
6. **What is the global view on transition/updating of existing legacy transactions to include the UPI? Is it part of the CFTC rewrite, or a secondary process? CDIDE answer:** *Generally CDIDE jurisdictions have not yet a clear view as to whether also legacy trades that are not affected by modifications subject to reporting will need a UPI, with the exception of ESMA whose final report clarifies that following to the date of application of the revised technical standards, all the reports submitted by the counterparties to the TRs will have to comply with the new requirements, including the reporting of UPI code for derivatives subject to the UPI requirement (see question 2). All derivatives outstanding on the Reporting Start Date should be updated in order to bring them in line with the revised reporting requirements. The transitional period established by ESMA during which the counterparties should update the derivatives in question amounts to 6 months.*
7. **Is the expectation that a single OTC contract can have more than one UPI? – The question is predicated on the assumption that reporting parties may assert differing asset classes based on relevant regulatory reporting requirements (e.g. bitcoin being commodity in US or FX in Europe?) CDIDE answer:** *The expectation is that for each product there is a UPI. We do not anticipate the scenario where the same product will be assigned to different asset classes across jurisdictions.*

-- The PC noted that CDIDE response indicated regulatory convergence expectations regarding digital assets. The PC also noted that users were currently only required (in the main) to report products in the five main asset classes to Trade Repositories, and a such a discussion about whether and how to support the reporting of instruments in the “Other” asset class would need to be discussed at the broader industry representation group recently announced by the ROC (ref. section 5).
8. **UPI Submission and validation by TRs:**
 - i. **If a UPI is not submitted – or cannot be validated against the DSB list – are TRs required to reject the submission?**
 - ii. **What is the expected timing delay between UPI issue and TR responsibility for validation?**

-
- iii. Similar question around PPD for CFTC reporting as the TR has the responsibility to “append” the FISN to the output?
 - vi. What level of validation (if any) is the ROC expecting wrt TR validation of the UPI status field? Is it similar to that for LEI status?
 - vii. Do regulators require TR validation between UPI and OTC ISIN?
 - viii. What is the regulatory expectation wrt TR handling of “Other” asset class UPIs? Are guidelines available?
 - ix. What is the regulatory expectation wrt TR handling of “Mixed” asset class UPIs? Are guidelines available?

CDIDE answer: The question touches aspects of reporting (such as validation rules) that are beyond the mandate of the ROC. TRs should address the questions to the individual regulators.

9. What is the expected submission when the regulatory “validation rules” in a given jurisdiction (such as only allowing floating rate options coming from FpML list) prohibit the correct values? Does that change the submission of a record? **CDIDE answer:** The question touches aspects of reporting (such as validation rules) that are beyond the mandate of the ROC. TRs should address the questions to the individual regulators.

-- The PC noted that the a discussion would need to held in due course to determine whether a FRO value of “Other” needed to be introduced by the DSB to support the reporting of Rates related products executed on values other than those in the current DSB golden source list. **>Action536**

10. Do regulators expect that for credit index trades that go through a credit event, there needs to be a new UPI reported on the trade (as the series and version are included)? **CDIDE answer:** If there is a change in the attributes of a product (such as a change in the version of an index), the expectation is that the UPI would change, provided the identifiers hierarchy is preserved, assuming that it does not break the UPI-OTC ISIN hierarchy.

As part of the general discussion in this section the PC also noted that:

- a) A dedicated session would be organized with interested PC Members to review the day 1 UPI workflows to be supported by the DSB **>Action536**
- b) The DSB should carefully consider the legal representations and warranties it would provide users in relation to the support for alternate ID workflows

9 UPI : Reference Data Strategy

The DSB previously presented the Reference Data Strategy to the PC where a number of questions were raised and taken as actions by the DSB.

The DSB presented and initial overview once more before answering the product committee’s questions and closing action 526 through to 534 in the process. During this a new question was raised regarding the DSB decision to rely on the data provider to undertake all mapping activity. Whilst the PC approved this approach they questioned if all potential legal repercussions for the DSB had been considered. This is to be taken away by the DSB for consideration. **>Action538.**

There was insufficient time at the meeting to cover Security Packages, Securities Alternative ID’s and Indices. It was therefore agreed that the Reference Data Strategy material would be shared with PC members via email for feedback from the PC members ahead of the next meeting. **>Action539.**

Product Release Schedule

N/A

AOB

Respectfully submitted,

DSB Secretariat

Minutes Approved on: 14/12/2021

| Summary of Open Actions | | Owner | Target Date |
|--------------------------------|--|--------------|--------------------|
| 485 | The DSB are to work with the PC to produce best practice guidance on the treatment of the funding leg in the generation of UPIs | DDO | TBC |
| 500 | The DSB to publish best practice and/or updates to the UPI FAQ following questions from PC members. | DDO | TBC |
| 506 | PC to discuss feedback from regulators relating to questions received regarding UPI. | DDO | TBC |
| 508 | PC to discuss feedback from CFI maintenance agency regarding NDF's on Bitcoin. | DDO | TBC |
| 511 | The DSB to raise the issue of Backwards Compatibility for the OTC ISIN and UPI with the CDIDE for further consideration. | DDO | 24-Aug-21 |
| 514 | This new OTC ISIN status and status reason regarding Orphan ISINs to be reflected in the OTC ISIN status materials. | DDO | TBC |
| 515 | The DSB to revert with a date for PC review of the UPI Status document. | DDO | TBC |
| 517 | The DSB to ask responsible institutions for information concerning the creation of Non-Standard Options without Option Type / Exercise Style. | DDO | 19-Oct-21 |
| 519 | The DSB provide data confirming what underlying asset values were currently being referenced – for each of FX Forwards and FX Options - in the creation of OTC ISINs when using the CFI 2015 standard. | DSB | 02-Nov-21 |
| 520 | UPI principles agreed by the PC are to be shared with regulators | DDO | TBC |
| 522 | The DSB to revert with implementation timelines following completion and sign-off of the change request document | DSB | TBC |
| 523 | ISDA to provide an indication of the reference rates most likely to be impacted by the IBOR transition and a view on the most likely change windows expected by the market. | ISDA | TBC |
| 524 | The DSB to review the information from ISDA and revert to the PC in the event of any capacity constraint, and liaising with the TAC where necessary. | TAC SEC | TBC |
| 533 | The DSB to share a summary of the agreed validation rule for alternative identifiers that can be used for known underliers be re-distributed to Members as a reminder | DSB | TBC |
| 534 | The DSB to present details of the optimal means of reviewing current coverage of third-party index names in relevant templates, expansion of these where required (for both the UPI and the OTC ISIN) | DSB | TBC |
| 535 | The DSB are to share details regarding how proprietary indexes will be treated and the intended support. | DSB | TBC |

| | | | |
|------------|---|-----|-----------|
| 536 | The PC to discuss whether a FRO value of “Other” needed to be introduced by the DSB to support the reporting of Rates related products executed on values other than those in the current DSB golden source list. | DSB | TBC |
| 537 | The DSB organize a session with interested PC Members to review the day 1 UPI workflows to be supported by the DSB | DDO | TBC |
| 538 | The DSB to consider the legal implications of relying on a data provider for UPI underlier ID mapping and to present conclusions to the PC. | DSB | TBC |
| 539 | The DSB to request approval for Security Packages and Alternative IDs from the PC members via email. | DSB | 14-Dec-21 |

| Summary of New or Updated DSB Tasks | Status | Priority |
|--|---------------|-----------------|
|--|---------------|-----------------|