

## DSB PRODUCT COMMITTEE MEETING MINUTES

**Meeting:** The 223<sup>rd</sup> DSB Product Committee Meeting

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**Date:** 09-Jan-2024      **Time:** 15.00 – 16.30 UTC      **Location:** DSB Offices / Teleconference

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Name	PC Role	Institution	Attendance
Harry McAllister	Co-Chair	BNP Paribas	Yes
Joseph Berardo	Co-Chair	Intercontinental Exchange	Yes
Markus Buehler	Product Committee Member	OTC Service AG	Absent
Michael Burg	Product Committee Member	State Street Financial	Yes
Martyn Cole	Product Committee Member	Refinitiv	Yes
Jourik De Lange	Product Committee Member	Smartstream RDU	Absent
Dawd Haque	Product Committee Member	Deutsche Bank	Yes
Uwe Hillnhuetter	Product Committee Member	Tradeweb	Yes
Nicholas Moger	Product Committee Member	J.P Morgan	Absent
Shaun Murray	Product Committee Member	Margin Reform	Yes
David Nowell	Product Committee Member	KOR Financial	Absent
Navraj Panesar	Product Committee Member	Citigroup	Absent
Warren Rubin	Product Committee Member	DTCC	Yes
Kirston Winters	Product Committee Member	OSTTRA	Yes
Pierre Aymerich	Regulatory Observer	ESMA	Yes
Mari Asakura	Regulatory Observer	JSDA	Absent
Giulia Ferraris	Regulatory Observer	ESMA	Absent
Eiichiro Fukase	Regulatory Observer	JSDA	Yes
Dr Olaf Kurpiers	Regulatory Observer	BaFin	Absent
Frank Lasry	Regulatory Observer	AMF	Absent
Michael Naughton	Regulatory Observer	FCA	Absent
Jean Obray	Regulatory Observer	FCA	Yes
Grzegorz Skrzypczynski	Regulatory Observer	ECB	Absent
Robert Stowsky	Regulatory Observer	CFTC	Apologies
Dominik Zeitz	Regulatory Observer	BaFin	Absent
Andrew Bayley	Observer	ISDA	Yes
Que-Phong Dufournet	Observer	AMAFI	Yes
Rav Saidha	Observer	Retail Derivative Forum	Yes
Lisa Taikitsadaporn	Observer	FIX Trading Community	Yes
Emma Kalliomaki	DSB Board Sponsor	DSB Board	Yes
Simon Wiltshire	Alternate DDO	DSB	Yes
Adam Grace	Alternate DDO	DSB	Yes

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### No Topics

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### 1 Introduction & Agenda

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### 2 Competition Law Reminder

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Presented.

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### 3 Review Minutes from Previous Meeting

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Minutes from the previous meeting on 12<sup>th</sup> December 2023 were **APPROVED**.

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### 4 Open Actions

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**596** The DSB will reach out to ISDA to explore ways in which the current ISDA review process can be accelerated or streamlined in order to provide adequate CRP coverage to the user community and will report back to the PC on progress. DSB 03-Oct  
**ON-GOING : The DSB has reached out to ISDA but awaits a response on streamlining the process. Action will be carried over.**

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**597** The DSB will send an email to the members of the PC with a summary of the proposed addition of "OTHER" to the Credit Index codeset. DSB Closed  
**Email was distributed to PC members: CLOSED**

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**598** The DSB will send an email to the members of the PC summarizing the proposed DTI selection criteria and the initial list of DTIs that qualify for inclusion. DSB Closed  
**Email was distributed to PC members: CLOSED**

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### 5a Announcements

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None

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### 5b Bulletin Board Update

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PC members were encouraged to continue to raise topics they wish to discuss via the bulletin board.

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### 6 Task List

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Up to date task list presented, highlighting the following status changes:

- **DSB-** : Credit Index to support an enumerated value of "OTHER" : To be discussed at this meeting.
  - **DSB-3401**: Add DTI entries to Commodity Ref Price List : To be discussed at this meeting.
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### 7 CDS Single Name Underlier : Identification Guidance

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The DSB PC discussed the following question on 5th September 2023 with a view to agreeing best practice guidance...

*Q. Given that the Credit Swap templates allow the entry of an ISIN or an LEI, how should the underlier be identified in the generation or retrieval of a Single Name CDS (ie: Corporate, Sovereign, Municipal, Loan, ABS, Total Return Swap).*

*Proposed Best Practice: As a best practice, DSB users are advised to define the underlying asset for these products by entering an LEI. If the Legal Entity in question has not been assigned an LEI, the underlier's ISIN should be employed. In the event of there being no assigned LEI and in the absence*

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*of a defined underlying security (eg: SRO trades and No Ref Ob trades), the user is advised to enter an LEI of "OTHER".*

However, the PC were not able to agree this best practice after it was acknowledged the generation of the UPI or OTC ISIN should follow the applicable regulatory reporting obligation of the transaction involved and that these can differ per regime.

At the request of a PC member, the DSB re-presented this issue in order to see whether best practice guidance can be agreed.

Following discussion, the PC **APPROVED** the following general principles (supported by an interpretation of the MiFID II/MiFIR RTS 23 specification):

- If the CDS is based on the credit risk of a Legal Entity – use the LEI to identify the underlier. If the Legal Entity has not been assigned an LEI, then a value of "OTHER" should be entered in the LEI attribute.
- If the CDS is based on the credit risk of a single Fixed Income Security – the user should use the ISIN to identify the underlier. If the Security has not been assigned an ISIN, then a value of "OTHER" should be entered in the LEI attribute (since a value of "OTHER" is not valid as a Security identifier).

The DSB will present a draft version of the above text for review and approval of the PC at a future meeting. **Action>599.**

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## **8 Credit Index : Possible inclusion of "OTHER"**

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The PC agreed the workflow to be used for the addition of new entries to the DSB list of Credit Indices (28th Nov 2023). This workflow is currently being used for the addition of CDX.EM.HY and CDX.EM.IG. However, there was insufficient time to cover the associated question

The members of the PC were asked to consider the following question: The DSB propose to add an entry of "OTHER" to the Credit Index codeset in order to support the Index while the agreed workflow is in progress.

The members of the PC **REJECTED** the proposal to add an entry of "OTHER" to the Credit Index codeset on the basis that the agreed workflow was adequate to ensure that the codeset was updated in a timely fashion. The meeting also noted that the industry had a responsibility (and a regulatory imperative) to ensure that the DSB was notified on any new Credit Index that they required. In support of this view, it was noted that regulatory guidance had been published (by the CFTC) that would actively discourage the use of "OTHER" for the identification of underlier in regulatory reports.

The members of the PC also agreed that given the standardization of the Credit markets and the need to report, confirm and clear transactions there would be no requirement for an entry of "OTHER" in the Credit Index list.

On this basis, the DSB will not proceed with the addition of "OTHER" in the Credit Index list.

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## **9 DTI Underliers to Commodity Derivatives**

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A conclusion from the DAS-SC recommendations was that DTIs were to be added to the Commodity Reference Price (underlier to Commodity Derivatives). The DTI (Digital Token Identifier) is an international

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standard (ISO 241651) for the identification of Digital Assets at ledger level and the addition of this identifier to the CRP will allow users to create / access OTC ISINs and UPI with a precise underlier.

In order to progress this issue, the DSB presented a candidate list of 100 DTIs that were to be added to the CRP codeset based on satisfying the following criteria:

<b>Referential Token</b>	The token is not a Security Token: which represents or exhibits the characteristics of a security (equity, bond, ETD etc.).
<b>Ledger-based Token</b>	The token as recorded on a blockchain/ledger (not a Fully Fungible Group (FFG) or similar).
<b>Market Capitalization</b>	With a market capitalization of > \$500m (measured on price * available/tradable quantity on Coin Market Cap).
<b>Liquid Ledger</b>	The token is recorded on a ledger where the ledger's native token (eg: ETH, SOL etc.) is also in the selected group. If the market cap is available at the FFG level (eg: Tether), then the tokens within that FFG will be selected only if the FFG capitalisation is above \$500m AND the native token of the ledger is above \$500m.

It was noted that a review of the token list will take place on a quarterly basis but that some adjustments to the market capitalization limit may be required in order to ensure a reasonable level of change.

The members of the PC **APPROVED** the addition of the presented list of DTIs to the Commodity Reference Price codeset.

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## 10 Underlying Index ID SC

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The DSB presented a proposal for the establishment of an industry-wide forum that aims to agree/recommend an approach to underlier indices that addresses the limitations being experienced by the industry. The DSB proposed that this forum would be best addressed through the formulation of a PC Sub-Committee which could invite contributions from non-PC members (SMEs etc.) and acts in an advisory capacity to the PC.

As a part of this discussion the DSB presented the following draft Terms of Reference for the proposed forum (subject to confirmation by the members of the sub-committee).

### Proposed Objectives:

- To agree a strategy that ensures that the industry and regulators have access to a reliable, consistent and unique identifier for financial indices and related referential instruments.
- The identifier needs to satisfy the basic criteria for use as for the identification of underlying assets of OTC derivatives and the forum will need to agree a strategy for assigning, managing and publishing it to the industry.

### Proposed Scope:

- Indices across all asset classes : Equity, Rates/Debt, Currencies/Forex, Credit, Commodities and Multi-Asset Indices.
- Other Referential Instruments (within CFI = T) : eg: Commodity Reference Prices, Floating Rate Options (Rates), Inflation Rates.

### Proposed Deliverables:

- Assessment criteria and the options considered by the forum (with assessment of each).
  - A recommended identifier for each in-scope asset class that satisfies all (or most) of the specified underlier ID criteria.
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- An achievable approach to obtaining, assigning and managing the chosen Identifier to a comprehensive universe of underliers.
  - A definition of any associated secondary IDs that would be supported by the solution (optional)
  - A definition of any associated reference data elements that would need to be maintained alongside the chosen primary identifier (optional)
  - A set of requirements for any index identifier service provider (optional)

**Proposed Sub-Committee Logistics:**

- **Format** : Virtual (Microsoft Teams)
- **Frequency** : Fortnightly
- **Time / Day** : Tuesday 3pm UK Time (alternating with DSB PC)

The members of the PC **APPROVED** the formulation of the proposed sub-committee and the DSB was actioned to confirm the above details by email and to request candidate members from the PC. **>Action 600.**

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## **11 Commodity Single Index : MCEX**

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The DSB presented an issue that had been highlighted during the CFI migration analysis – that Single Index Commodity products (Swap, Option, Forward) do not support MCEX (Multi-Commodity Exotic) as a valid Base Product (ISO 20022).

The PC agreed that it would be possible for a “standard” Commodity Derivatives to be based on an underlying index made up of assets from different categories (eg: Energy and Freight) and therefore it is reasonable to expect a value of MCEX to be available.

The members of the PC **APPROVED** the addition of MCEX as a valid value in the enumerated list of Base Products for Single Index products. It was noted that this decision is based on the assumption that Commodity Indices made up of assets from different categories exist in the market.

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### **AOB**

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#### **1. Intermediaries**

A member of the PC asked a question about the issue of Intermediaries informing their clients of their obligations in respect of UPI licensing. The DSB provided a summary of the current position and reminded the PC of the setting up of the Governance Advisory Committee.

#### **2. Pre-Population Update**

The DSB provided an update on the current status of the UPI pre-population process.

#### **3. Commodity Delivery Points**

In response to a question from a member, the PC were reminded that the plan to add Regional/Anonymized Commodity Reference Prices was approved by the PC and will be initiated once the approach to the addition of specific Commodity Reference Prices has been finalised.

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Respectfully submitted,

DSB Secretariat

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<b>Summary of Open Actions</b>	<b>Owner</b>	<b>Target Date</b>
<b>596</b> The DSB have reached out to ISDA to explore ways in which the current ISDA review process can be accelerated or streamlined in order to provide adequate CRP coverage to the user community. Awaiting a response.	DSB	28-Nov
<b>599</b> The DSB will present a draft version of CDS Single Name identification guidance text for review and approval of the PC.	DSB	23-Jan
<b>600</b> DSB will to confirm the ToR for the Underlying Index ID sub-ctee and request candidate members from the PC.	DSB	23-Jan

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