



State Street Corporation

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May 31, 2017

Association of National Numbering Agencies
Derivatives Product Committee Secretariat
Via email: secretariat@anna-dsb.com

Re: ANNA-DSB Fee Model Consultation Paper 2

Dear Sir or Madam:

State Street Corporation (“State Street”) appreciates the opportunity to comment on the Association of National Numbering Agencies’ (“ANNA”) Derivatives Service Bureau (“DSB”) Product Committee’s second consultation paper (“consultation paper”) on the fee model.¹ The consultation paper details the fee model and also includes additional information on fund redistribution and costs.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management, data and analytics, and investment research and trading. With \$29.833 trillion in assets under custody and administration and \$2.561 trillion in assets under management as of March 31, 2017, State Street operates in more than 100 geographic markets worldwide. State Street is organized as a United States bank holding company, with operations conducted through several entities, primarily its wholly-insured depository institution subsidiary, State Street Bank and Trust Company (“SSBTC”).

As an initial matter, State Street supports the global harmonization of reference data elements as it is becoming increasingly critical to the safety, soundness and efficiency of the global financial markets, and therefore, we appreciate ANNA DSB’s efforts in this area. State Street does not opine on all aspects of the consultation paper, but instead has chosen to focus on two recommendations that would be helpful to industry and a few key questions from the consultation paper. Specifically, we recommend:

- Custodians should be given an active role in discussions related to reference data;
- User agreements should be drafted at the corporate level;
- The time-limited annual contingency fund should be reduced to 375K Euro and this amount should be reassessed annually;
- The distinction between single asset class users and multi-asset classes users should be maintained;
- A full database archive should be provided to registered users for free with the caveat that the user agreement restricts usage of this free data to those who are not ISIN creators; and
- Excess revenue should be used to reduce the subsequent year’s fees.

¹ ANNA- DSB - “Fee Model Consultation Paper 2 - 2 May 2017”, available at: <http://www.anna-web.org/wp-content/uploads/2017/05/DSB-CP002-Consultation-Paper-Fee-Model-2.pdf>.

Custodians Should have a Seat at the Table

State Street strongly believes that all aspects of the financial services industry and lifecycle of an over-the-counter (“OTC”) derivative should participate in discussions related to the global harmonization of reference data elements. Specifically, we believe that custody banks, such as State Street, should have a seat at the table. Custody banks are privy to data from several clients and therefore have the ability to aggregate data and look across their client base. We can therefore provide unique insight compared to singular firms. Additionally, custody banks are focused on the overall infrastructure of reference data and play a critical role in the post-execution lifecycle of OTC derivatives. Moreover, beyond just the custody of physical assets and cash, State Street provides services such as middle office outsourcing, fund accounting, and regulatory reporting on behalf of clients and already has significant experience and has committed substantial resources to these important reference data efforts.

User Agreements Should be Drafted at the Corporate Level

The consultation paper asks whether additional details would be helpful to support respondents’ considerations and responses. Although not addressed in the consultation paper, State Street believes that user agreements should be at the corporate level and not the legal entity level. Firms should be able to operate under one user agreement rather than having multiple agreements. For example, State Street should be able to have one user agreement through its operating company, SSTBC. Drafting user agreements at the corporate level is a truer reflection of data usage and will cut down on on-boarding and administrative expenses, as there will be fewer agreements to manage.

Reduce Proposed Contingency Fund Amount (Question 2)

The consultation paper discusses the requirement that ANNA DSB operate at cost-recovery and then provides a forecast of the start-up costs and operational costs. Included in these costs are contingency funds which are 600K Euro for start-up costs² and a time-limited 750K Euro³ annual contingency cost under operational costs. Question 2 asks whether we agree with the proposal to create a contingency fund of 750K Euro to cover unplanned costs during the initial few years of operation.

State Street believes that the proposed time-limited contingency fund is excessive and recommends that ANNA DSB reduce the amount by half, to 375K Euro for the first year of operation, and then reassess annually to see if this amount is sufficient. Although State Street understands that “the inclusion of a prudent reserve in the cost basis is a form of risk management that benefits the users as well as protects the numbering utility,” we believe that 3.6m Euro over 4 years⁴ is more than what is necessary. We would expect that the contingency fund would be the highest during the initial start-up phase where the system build-out is the most complex and therefore, the annual contingency fund should not exceed the 600K Euro start-up contingency fund.

² The 600K Euro start-up contingency fund is to “cover any extraordinary costs or charges the DSB may incur during the build phase. For example, if there is a request by industry for the DSB to implement ToTV/uToTV functionality into the core DSB service within the cost-recovery mandate.”

³ The 750K Euro contingency fund under time-limited operational costs is “[a]n annual contingency fund to cover unplanned costs during the initial few years of operation. For example, if industry were to request the DSB to provide additional services within the cost-recovery mandate.”

⁴ 750K multiplied by 4 years (which is the same time period of the other time-limited costs) plus 600K startup contingency fund equals 3.6m Euro.

Moreover, the 600K Euro contingency fund for start-up costs is also excessive, as we do not agree that the ANNA DSB should engage in projects beyond its remit such as implementing the tradeable on a European trading venue/ underlying asset(s) tradeable on a European trading venue (“ToTV/uToTV”) functionality into the core DSB service.

Maintain Single Asset Class and Multi-Asset Classes Users Distinction and Provide a Full Database Archive to Registered Users Who are Not ISIN Creators for Free (Questions 3 and 4)

The consultation paper explains how several aspects of the first fee model consultation’s proposed model are unchanged, including the proposed registered user, standard user and power user categories; the fact that registered users are not required to pay a fee; and the fact that annual up-front subscriptions must be paid by power users and standard users. However, ANNA DSB is proposing in this consultation paper that the fee model be further simplified by removing the concept of single-asset and multi-asset classes users and providing all user categories free access to the full database archive at the close of business, subject to the acceptable use policy. ANNA DSB asks whether we agree with eliminating the distinction between single asset class users versus multi-asset classes users (question 3) and whether we agree with the proposal to provide the full database archive to registered users at no charge, in addition to the paid user categories (question 4).

State Street disagrees that the distinction between single asset class users and multi-asset classes users should be eliminated. Some market participants, especially venues, only require access to a single asset class and therefore will use ANNA DSB’s services less extensively. As such, single asset class users should not have to pay the same amount as multi-asset classes users.

As for the proposal to provide the full database archive to registered users at no charge in addition to the paid user categories, State Street agrees with this proposal with the caveat that the user agreement restricts usage of the free data to those who are not ISIN creators. State Street is a proponent of open access, but we do not believe that creators should be able to game the system by signing up as registered users. Specifically, we believe that entities that need to use the ISIN as part of the trading services they offer (i.e. ISIN creators) should not be able to use the free data from the full database archive. Footnote 1 in the consultation paper states that providing all user categories free access to the full database archive at close of business is “subject to acceptable use policy.” State Street recommends that the acceptable use policy explicitly state that if you are an ISIN creator and/or use the ISIN as part of the trading services you offer, then you cannot use the free full database archive to obtain ISINs and must pay as ISIN creators are required to do.

Excess Revenue Should be Used to Reduce Subsequent Year Fees (Question 7)

The consultation paper states that excess revenue will be used to reduce the following year’s fees by incorporating the variable fees which are set one month before the start of the annual subscription period. Question 7 asks whether we agree with this principle of using excess revenue to reduce the subsequent year’s fees.

State Street agrees with using excess revenue to reduce the subsequent year’s fees. It appears reasonable to use the excess revenue to reduce the following year’s fees by incorporating it in the variable fees which are set one month before the start of the annual subscription period.

Conclusion

In conclusion, State Street supports efforts in the global harmonization of reference data elements. While we did not opine on all aspects of the consultation paper, we put forth certain key considerations. State Street strongly recommends that custodians be given a seat at the table in reference data discussions, as we can provide unique insight by looking across our client base and play a critical role in the post-execution lifecycle of OTC derivatives. Additionally, we believe that: the user agreement should be drafted at the corporate level; the proposed contingency funds should be reduced and the annual contingency fund should be reassessed annually; the distinction between single asset class users and multi-asset classes users should be maintained; the full database archive should be provided to registered users for free with the caveat that the user agreement restricts usage of this free data to those who are not ISIN creators; and that excess revenue should be used to reduce the subsequent year's fees.

Please feel free to contact Beverley Doherty at bdoherty@statestreet.com or Andrew Cohen at acohen@statestreet.com if you wish to discuss State Street's submission in further detail.

Sincerely,



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