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January 3, 2017

Submitted via email to:
DSB-PC-Secretariat@etradingsoftware.com

Re: ANNA-DSB Product Committee Consultation Paper Phase 1

The International Swaps and Derivatives Association, Inc. ("ISDA")[1] appreciates the opportunity to provide The Association of National Numbering Agencies ("ANNA") and the Derivatives Service Bureau ("DSB") with comments in response to the Consultation Paper referenced above (the "Consultation Paper"). ISDA is a strong proponent of global data harmonization, working in tandem with our members and other buy- and sell-side market participants and market infrastructure providers to promote the important role of global standards in improving data quality and increasing the efficiency and value of regulatory requirements while simultaneously improving business processes.

Preface

We value ANNA and the DSB's willingness to seek broad feedback on the build of the ISIN issuance framework and operations. However, we were very surprised and are concerned that the questions in this consultation re-open issues that have already been agreed to by ISO and the financial community through the work of TC68/SC4's Study Group 2 (SG2). Further, the questions imply that DSB is overturning and actually moving away in several areas from the agreements reached in SG2. SG2 was a cross industry group with a broad representation from ISO members, people familiar with the ISO ISIN standard and OTC derivatives experts and the decisions taken in SG2 are based on months of thoughtful analysis from these knowledgeable participants. Specifically, we are concerned the DSB is changing the SG2 agreed approach in the following areas:
- Multilevel framework that allows ISINs to be created at different levels of granularity for the same product depending on the use case. The multilevel framework approach needs to be taken into account in the design of both the system and the data model from the start.
- Agreement to cover multiple regulatory and business use cases, not just MIFID.
- Agreement by SG2 to use the ISDA taxonomy as the classification to be submitted by requesters of ISIN information to the DSB. The ISDA taxonomy is more granular than the CFI and is used by market participants globally for regulatory reporting purposes. The CFI code for any ISIN must be provided by the DSB alongside the ISIN, but is not the agreed approach for classification to be submitted to the DSB.
- Use of FpML as the data standard to describe the attributes that will be submitted to the DSB. FpML is used extensively in the derivatives industry for the description of OTC trades and products in a variety of processes and FpML is the only standard that has the necessary level of detail to describe all derivatives

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products currently. Therefore it was agreed in SG2 that FpML should be the data standard to work with for the start of the MIFID II requirements. Use of additional data standards will complicate the efforts and divert resources.

Given the process that took place under ISO through SG2, it is unclear to us why the DSB is re-opening these questions, especially given the tight timeframes to comply with MIFID II. ISO concluded that the work of the SG2 was fit for creating an ISIN that would meet the requirements of MIFID II, so we see no reason to pursue a different approach at this time. SG2 in the report in June identified a number of open questions and specified that further work on the granularity determination needed to be undertaken, including significant work with regards to commodity derivatives. We urge the DSB to take this forward, as progress on any of these since May seems limited or non-existent. Firms have begun to prepare for implementation of MIFID II, in part based on monitoring the work of ISO and SG2 and ANNA. In fact, ANNA released the "connectivity specifications" in early November with the goal *".... to enable the industry to evaluate and budget for the integration and testing process, as well as associated impacts on related operational processes and systems."* And cited that *"In December, ANNA will release the data specifications for use with the FIX messaging protocol for the DSB. These specifications incorporate FpML taxonomy, and reflect the work of the ISO study group for development of the ISIN for OTC derivatives."*

If the DSB proceeds with significant changes to the previously agreed framework - which we do not support - we are greatly concerned about the timing of the project. Either changes stemming from the feedback in the consultation process will be kept limited and potentially lead to a suboptimal and limited solution; or the UAT deadline and subsequent deadlines might need to move. For a successful UAT both the DSB and it future customers need to be ready to test. Given the requirement to have ISINs for MIFID II, the absence of a full functioning solution on January 1, 2018 for all asset classes and all products that require ISINs, will seriously impact firms' ability to trade at the start of MIFID II and will put firms subject to MIFID II at a disadvantage at a global level.

Our responses to the specific questions are below, but largely reflect these opening comments.

On other topics, the industry has been strongly advocating for a robust governance framework for OTC ISINs. While ANNA has taken steps with the creation of the DSB and the creation of the Product Committee (PC), much more work needs to be done and we are increasingly concerned about the lack of speed at which these changes are taking place. We welcome the creation of the Product Committee but we question how much input the PC has provided for this consultation given the time of creation of the PC and the time of issuance of this consultation. To date we have not yet seen any minutes or information from the PC meetings. Also, there is no further information on the composition of the DSB board of directors. The lack of a robust and open governance framework will become a roadblock to broader adoption of ISIN as product identifier for derivatives.

Part of the governance question relates to future maintenance and development of ISINs.

We would like to understand how the DSB plans to develop future products and requirements. FpML[2] has developed a maintenance approach and presented this to ANNA.

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[2] **About FpML**

FpML (Financial products Markup Language) is the freely licensed business information exchange standard for electronic dealing and processing of privately negotiated derivatives and structured products. It establishes the industry protocol for sharing information on, and dealing in, financial derivatives and structured products. It is based on XML (Extensible Markup Language), the standard meta-language for describing data shared between applications. The standard is developed under the auspices of ISDA, using the ISDA derivatives

Finally we want to highlight that industry consultations primarily run during the end of year period limit the industry input received. The response to certain questions is therefore brief. We would be happy to provide more information and continue the discussion following the end of the consultation.

Scope

Q 1: Are there any products expected to be tradeable on a trading venue by Jan 3, 2018 that will not be covered by the combination of the above CFI Codes?

We are concerned that the DSB is looking to limit the scope and we believe the focus should be on covering all standardized OTC products with a process in place to cover any gaps rapidly.

The impact of an erroneous "prioritization" of products is potentially profound for MIFID II: if a transaction is executed in an instrument for which an ISIN is required and for which no ISIN is available, the consequences of not having that ISIN are far-reaching:
- ISIN is the key for RTS 23
- Reports for the transaction reporting obligation under RTS 22 will be rejected if the transaction is executed on an EEA trading venue and no ISIN can be put in mandatory field 41
- ISIN is also required for post-trade transparency under RTS2

Furthermore there is a risk that, when only starting with the more "standard products", we build a model that is not extensible to the more complex ones, but only discover this at a later point once the simple products are established. The DSB will have designed itself into a corner at that point. We strongly urge that the SG2 work be continued.

ANNA should clarify the terminology, 'tradeable on a trading venue' – MiFID II text distinguishes three categories which this umbrella term could include:
- Traded on a trading venue (ToTV)
- Admitted to trade on a trading venue (ATT)
- Request for admission to trade on a trading venue (RATT)

We would like to understand why ANNA has decided to restrict this scope question to only those instruments 'tradeable on a trading venue' by January 3, 2018?

At this point in time, it is not yet clear which entities will register as "trading venues". This might encompass broker platforms where less standardized derivatives are traded. It is not possible to know which products those venues will accept to trade on their platform in January 2018. For example, some of the platforms that might register as venues allow vanilla structures like straddles or strangles to be traded as such. There is no CFI code for such instruments.

In addition, we understand that RTS23 obliges Systematic Internalisers (SI) to obtain ISIN for instruments they quote. The scope of instruments traded by SI may go beyond ToTV, it includes instruments where the underlying

(or a constituent of its underlying basket) is tradeable on a trading venue and should be considered as well. If no ISIN is available for such instruments, the result might be that a firm cannot continue to trade them (as an SI).

Q 2: Are there any products covered by the combination of CFI Codes that will not be tradeable on a trading venue by Jan 3, 2018?

See Q 1

Q 3: Within the CFI Code 'H', the DSB will focus on non-listed options. Do you know any complex listed options that are in scope of MiFID II, tradeable on a trading venue and do not currently have an ISIN issued by their NNA? If so, please give as much detail as possible about the product including the venue name.

Listed options are highly standardized, have specific maturity dates, and generally cover only shorter maturities. Similar products exist in the OTC space, but with different (customized) maturity dates, or maturities that are further in the future. These products do not have ISIN, but firms might be SI and thus require ISINs for them.

We would like to receive clarification from ANNA that the intention is to issue ISIN for listed options through the ASB (CFI code "O"), and ISIN for non-listed and complex options through the DSB (CFI code "H").

Product Roadmap

Q 4: Do participants agree that this is the most appropriate approach for prioritization of products? If not please provide an alternative approach and rationale

We are concerned with the prioritization as proposed, unless this is a short term prioritization for testing purposes only. There should not be priorities for the MIFID II start date. The issuance facility by January 3, 2018 needs to be able to provide an ISIN for any product in scope of MIFID II. Equally we want to ensure the DSB develops the ISIN framework from the beginning as agreed in SG2, rather than focusing in first instance on RTS 23.

As mentioned before there is a considerable risk that, by looking only at the more "standard products" initially, DSB builds a model that is not extensible to the more complex ones, but only discover this at a later point once the simple products are established. The DSB will have designed itself into a corner at that point. We therefore strongly urge that the SG2 work be continued.

Q 5: Given the tight deadline of April 2017 for UAT, is there sufficient time for the industry to respond? If not, please explain and provide evidence of how extending the duration of the consultation period will not detrimentally affect the implementation of OTC Derivative ISINs for the industry.

As indicated in the introduction, we are concerned about the timelines. Without seeing the consultations and the number of open questions that are still outstanding it is difficult to comment on the time needed to respond. It would be good to understand the progress the DSB has made with regards to the open questions that resulted from the ISO SG2 work as documented in the June report. In our view, addressing these very important open

question is a more critical priority than re-opening some of the items included in this consultation that were already addressed by SG2.

For the impact on the timing of the implementation the following needs to be considered:

- Industry is basing itself on the recommendations from SG2. Divergence from those recommendations, in particular those highlighted in the introduction, will negatively impact industry readiness.
- Feedback and discussion with the industry should continue throughout the process and should not be limited to the consultation documents and consultation period.
- The actual changes and readiness of detailed specifications are key determinants, more so than the length of the consultation period.
- Much work still needs to be done for commodities. The commodities asset class is complex and might contain products that require specific attributes. Commodities should be integrated in the ISIN model from the start.

We reiterate that the first two consultations are issued at an inopportune time given absences over holidays. Feedback therefore will be limited.

As far as the UAT timing is concerned, we do note that a number of regulators open their industry testing from Jul-2017; it should be sufficient to open ISIN Engine UAT from May 2017.

Q 6: Are you aware of any other regulatory requirements (beyond MAR, EMIR and SFTR) that require an ISIN for OTC Derivatives? If so, please identify and specify how that ISIN definition must be different from the one to meet the above requirements

The build and implementation of the DSB ISIN infrastructure will come at high cost to the industry and if ISIN for OTC derivatives is to work, it would be beneficial to be able to leverage this investment for use cases other than regulatory reporting alone. This approach was also taken in SG2. Limiting ISIN to a single regulatory use would not allow this.

It is important that technically the solution is extensible to other regulatory jurisdictions/obligations e.g. the CPMI-IOSCO UPI requirements and other non-regulatory industry use cases. The more use cases the solution supports, the greater confidence regulators can have in the quality of the ISIN. We support and encourage leveraging ISINs for other use cases and strongly believe this needs to be taken into account from a technical perspective from the very beginning. Of course, the ability to accept ISIN as the global product identifier for derivatives is greatly dependent on the ultimate governance of the ISIN and the system being built on the recommendations that were agreed by ISO SG2. These issues, if not addressed and left unresolved, will become roadblocks to further industry support for a broader application of ISINs.

There may be an ability to leverage ISIN as part of the calculation needed to resolve whether Commodity listed derivatives and OTC derivatives are economically equivalent. This is part of the MiFID II position reporting and monitoring obligations.

Q 7: The first phase of the DSB PC ISIN definition will focus on defining a single level of an ISIN, within a potential yet-to-be-defined hierarchy, to meet the immediate requirement. Are there other immediate regulatory requirements the ISIN must meet that will need multiple levels of ISIN definition? Please specify the requirement and the reason in detail.

We believe other regulatory and business requirements should be taking into account from the beginning and we are concerned by the exclusive focus in the design on RTS 23. It might make the implementation of the framework at a later point in time not feasible and reduce the ISIN to an ESMA specific product identifier.

The Level1 ISIN that could become a solution for example for the CPMI-IOSCO UPI, but also other purposes, would need to be integrated from the outset, since any a posteriori change in the ISIN model would affect the attributes and could potentially affect the ISIN. We'll point out as well that the product scope for a CPMI-IOSCO UPI is potentially much broader than the RTS 23 product scope. The discussion that took place in SG2 on the inclusion of Maturity Date illustrates the need for an all-inclusive approach. The inclusion of Maturity Date provides a level of granularity close to the trade level and it would be difficult to build other levels of granularity if this level were to be the starting point. We strongly recommend following the SG2 analysis.

Q 8: If in the future the DSB implemented an ISIN at a different level in the hierarchy, for example, one that met CPMI-IOSCO requirements, how much of a challenge would that be for industry to implement?

There is a fundamental technical difference between a single level ISIN and a hierarchy. The industry strongly believes that a hierarchy approach is best suited to OTC derivatives given the uncertainty around what is considered a product vs. contractual attribute. Therefore we recommend that all technical APIs and protocols support a hierarchy from the start.

Additional attributes are required in a hierarchical structure (for example, direct parent/ultimate parent) and need to be part of the design from the beginning. Adding attributes to existing ISINs a posteriori, would be very challenging. This could affect the ISIN itself and the processes in which it was used such as confirmation and reconciliations. It could potentially lead to a new report should ISIN change because of the amendment in attributes. Adding attributes at a later point in time to existing ISINs would be a very costly exercise for the industry.

Q 9: Do you know of any products within scope of MiFID II that require additional fields from RTS 2 to be included in the ISIN definition? If so, please identify them and describe why they are required.

We understand that certain RTS 2 fields that are not present in RTS23 might need to be included in the ISIN for transparency calculation purposes. This was considered as part of the asset class granularity work under SG2 and we urge the DSB to take that analysis as the starting point. We further suggest the DSB gets clarity from ESMA on this point.

Q 10: Do you think the proposed single ISIN level, in addition to the Reference Data requirements under RTS23, must satisfy MIFID Transparency requirements under RTS2? If so, can you provide an explanation and examples where ISIN satisfying Reference Data (RTS23) will not be fit for Transparency (RTS2) use?

There are a number of data attributes required for RTS 2 Trade Reporting which are not already captured in RTS 23 however, these are not all reference data. We refer in this respect to the previous analysis done by SG2.

By way of example, forward starting swaps cannot be distinguished from non-forward starting swaps based on the RTS 23 data attributes, however forward starting swaps should be differentiated to provide meaningful transparency.

Q 11: Do you think the proposed granularity level is appropriate for the purpose of TOTV? If not, why?

We believe that the ISIN as proposed is not at the appropriate level of granularity for ToTV. The main issue is threefold:
1) Traded on a Trading Venue typically works along the lines of tenor as opposed to maturity date. If maturity date and other volatile attributes such as fixed rate were removed from the ISIN then this would solve this issue.
2) Traded on a Trading Venue also takes into account non-product level attributes e.g. Clearing House. It would be incorrect to include these in the product descriptor as they would then create different ISINs for the same product identifier.
3) Other more granular product attributes are required e.g. day count fraction
.
We refer back in this regard to the work undertaken in SG2 where this was considered.

Either we leverage the framework and use a different level of granularity for ToTV, or we reach agreement to leave certain RTS23 data fields outside of the ISIN. In the latter case additional data attributes would be required for ToTV. These additional data attributes could be communicated in addition to the ISIN.

Q 12: Do participants agree that CFI is the most appropriate taxonomy to use in identifying the product Templates? If not please provide an alternative approach and rationale

As agreed in ISO SG2, we strongly believe the ISDA Taxonomy is the appropriate taxonomy to serve as input to the ISIN creation process. As output, the DSB needs to provide the CFI code alongside the ISIN.

The ISDA product taxonomy is used extensively by market participants globally for regulatory reporting and the ISDA classification is more granular than the CFI. When developing the CFI for OTC derivatives we used the ISDA taxonomy as much as possible and mapped the two taxonomies at the higher levels. In addition a process is in place to update the ISDA taxonomy quickly when required and feed that through into the FpML representation. Changes to CFI follow a slower process.

We would like to understand which FIX classification the DSB is proposing. The use of a FIX taxonomy has not been discussed in SG2 and we are not familiar with this classification. We would like to understand where it can be found, how it was developed, what the governance process is around its maintenance and why it is needed.

A mapping between ISDA Taxonomy and CFI needs to be developed and made available for a consistent application in all cases. As also indicated in the response to question 24, ISDA is willing to take this mapping forward.

Q 13: Do you agree with the approach of clearly allocated responsibility for data validation for different products, bearing in mind the specific data and cost challenges that might be incurred if it were to reside wholly in either the user-base or the DSB? Please provide detailed examples in your response.

Data quality control and assurance needs to sit as much as possible with the DSB. Otherwise with a large number of submitters, the data quality becomes subject to the standards at the weakest link. We believe this risks seriously jeopardizing the overall quality and usability of the ISINs. Achieving high data quality does require strict standardization and use of clearly defined reference data by the DSB. This is one of the reasons why in SG2 there was consensus to the use the FpML data standard for submission of the data attributes to the DSB. The DSB should not allow the creation of invalid ISINs.

ANNA DSB must be responsible for data validation – there should be no sole reliance on self-validation of data by market participants.

- MiFID II depends on accurate instrument reference quality to meet transparency obligations.
- If an invalid combination of fields are requested, it might not be possible to derive a CFI code because certain combinations of classifications are impossible.
- If ANNA DSB does not validate instrument reference data sent on an ISIN request, then it cannot be trusted as a golden source of OTC ISINs, and a data remediation workflow would almost inevitably be required.
- Remediating invalid data will carry far greater cost and data challenges than preventing invalid data in the first place.

A clear governance process needs to be in place to enforce the data quality and to ensure consistent application and maintenance of the validation rules and the data dictionary. Equally important, the rules need to evolve and not hamper the future development and creation of ISINs for new products.

That being said, we expect market participants will implement their own controls in order to avoid invalid requests and to ensure their own internal data quality.

Q 14: Do you know any other IP issues the DSB Product Committee must consider whilst specifying the granularities of the products in scope? If so, please provide the details of the attribute values and their current owners

There are multiple IP issues related to ISIN metadata and the requirement to make the ISIN and the associated metadata available for free. SG2 has identified the main ones. The different IP issues need to be looked at separately by an expert group and solutions need to be developed for each of the cases.

Q 15: Do you agree with the approach to use ISO Standard Currency codes in insolation thereby excluding offshore currencies? If not please explain your reasoning

The ISO currency list might be too restrictive in certain instances. The offshore settlement of a currency can be a determining product characteristic. There are multiple ways in which this information can be expressed. We refer in this respect to the FpML response to the CPMI-IOSCO consultation on critical data elements – second batch: (see page 3: comment on the use of ISO 4217 + CNH)
http://www.fpml.org/docs/FpML-response-to-CPMI-IOSCO-batch2-consultation-v20161130.pdf

 We strongly encourage the DSB to adopt the approach CPMI-IOSCO recommends in their final guidance on this subject.

Q 16: Are there additional attributes that must be included in the ISIN to cover products that will be tradeable on a trading venue by Jan 03, 2018? If so, please list the product (by CFI Code and/or FpML taxonomy) and the attribute(s) and their possible enumerations.

We refer to the work done by the use case validation teams for SG2.

As far as "FpML taxonomy" is concerned we would like to clarify the use of terminology. ISDA provides a classification of OTC derivatives which we refer to as the ISDA taxonomy. This classification or taxonomy can be found on the ISDA website[3]. FpML, as a data standard develops a mapping to the ISDA taxonomy such that for any trade represented in FpML, based on the trade characteristics, the relevant ISDA taxonomy node can be automatically derived. This increases the standardization and reduces the room for error or different interpretations if both parties represent the product details using the FpML data standard. FpML as a data standard does not maintain a separate classification. We leverage the ISDA taxonomy (classification) and have the ability to represent other classifications such as CFI, but we do not provide an automatic mapping to other classifications.

Q 17: Are there products where none of those fields are relevant for the definition of the underlying? If so, please provide detailed examples

See SG2 analysis e.g.
- Field 26: Underlying instrument code
- Field 27: Underlying issuer
- Field 28: Underlying index name

Q 18: Are their products where more than one of those fields are required for its definition? If so, please provide detailed examples

We refer back to the cross asset class analysis done by SG2.

Q 19: Is there anything in the excluded list of attributes that should be included in the ISIN definition for an OTC Derivative?

We refer back to the cross asset class analysis done by SG2.

Q 20: For those products included in the Annex, are there attributes that have not been included that you recommend the committee include in order to meet the immediate regulatory requirements for the ISIN? Please include an example of the attribute, describe the attributes completely and the reason for its inclusion.

There is insufficient time to do this analysis.

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[3] http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/
This information is freely available

Q 21: For those products included in the Annex, are there attributes that have been included but are not needed to meet the immediate regulatory requirements for the ISIN? Please describe the attributes and explain why they can be excluded.

There is insufficient time to do this analysis.

Q 22: Do you agree with the rules used to derive the FISN for those products listed? If not, please explain your reasoning.

We see it as the responsibility of the DSB to generate the FISN alongside the ISIN. We do not see any immediate use for the FISN from a business perspective.

Q 23: Do you agree with the rules used to derive the Instrument Full Name for those products listed? If not, please explain your reasoning.

We see it as the responsibility of the DSB to generate the Instrument Full Name alongside the ISIN. We do not see any immediate use for the Instrument Full Name from a business perspective.

Q 24: Do you agree with the rules used to derive the CFI Code for those products listed? If not, please explain your reasoning.

As mentioned previously, there needs to be an agreed mapping between the ISDA taxonomy and the CFI which needs to be endorsed and used by the DSB and market participants to ensure consistent mapping in all instances. ISDA is willing to take this mapping forward.

Q 25: Do you agree with the rule used to derive the Issuer for those products listed? If not, please explain your reasoning.
Can the DSB clarify whether the issuer in question is the issuer of the underlyer or the issuer of the ISIN?