

ISO // ISIN for OTC Derivatives

INTRODUCTION

OTC Derivatives unlike other financial instruments have never really had a product identifier.

With the challenges of tracking all these contracts during turbulent markets, several actors have called for a better solution.

There has been a lot of activity within the transaction reporting space with moving parts from both the trade associations and the regulators.

CPMI - Committee on Payments and Market Infrastructures

IOSCO – International Organisation of Securities Commissions

ISDA – International SWAP and Derivatives Association

ESMA ? What identifiers are needed for MIFIDII and MIFIR ?

THE PLAYERS

ISO TC68 oversees financial services standards globally, and is the authoritative standards body for ISIN.

ANNA – Association of National Numbering Agencies is the registration authority that has the responsibility of choosing the ISIN provider, and ensuring that the system is implemented and governed appropriately.

ISO called for a Study Group to be formed with a call to ISO members [ISO/TC68/SC4/Study Group2]

Ressources drawn from other organisations and other industry bodies, EU, US regulators, CPMI-IOSCO, DTCC, Markit.

Buy-side, Sell-side, CCP, ANNA, ISDA, over 140 individuals.

ISO/TC68/SC4/StudyGroup2

The Core Study Group defined 5 use cases :

- Commodity
- Interest Rate
- Equity
- FOREX
- Credit.

Deliverables :

- ISIN allocation rules for OTC Derivatives [ISO]
- Data elements linked to the ISIN for each type of OTC Derivatives
- A process for the timely assignment of ISINs for OTC Derivatives
- An implementation plan [ISO]

Q2 2016 : Phase 1

Q3 2016 : Phase 2 , ANNA qualifies requirements

Q42016 – Q12017 ISIN Engine development and UAT

Q22017-Q32017 UAT in the Industry

Q42017 – Make production ready

No shortage of ISINs

ISIN for OTC Derivatives

EZ (OTC Code) 2 digits

Unique 9 Digit code 9 digits

Check digit 1 digit

.....12 digits

EZ : prefix which has been granted exclusively by ISO for the use of allocating ISIN codes for these OTC Derivatives.

This code numbering structure will allow for in excess of 26 trillion unique codes (the risk of being short in numbers is not an issue).

Timely assignment of iSINs

The participants of the SG2 determined that OTC Derivatives ISINs need to be issued in as near real-time as feasible.

(Functional engine creating ISIN, CFI and FISN Codes)

(One API only for acquiring ISINs and management of the issuance of the actual ISIN numbers)

Governance of Taxonomies

OTC-ISIN Governance Committee

The ISIN identifier itself shall be maintained by ISO as the authoritative standards body.

ANNA as RA has the responsibility for the proper implementation and ongoing maintenance of the ISIN operations.

Recommendation : a broader set of market participants (shall be) engaged in a formal structure to provide oversight of the OTC ISIN solution by creating a global OTC Product governance Committee (The OTC –ISIN Product Task Force)

Derivatives Service Bureau (DSB)

The Association of National Numbering Agencies (ANNA), a corporation organized under the laws of Belgium, is founding the DSB – Derivatives Service Bureau – for the issuance and maintenance of International Securities Identification Numbers (ISINs) for OTC Derivatives.

(ANNA DSB Final Report – 09-FEB-2017)

Six key operational Process are described.

Capacity :

- 200 : the total number of firms that are connected to the DSB at any one time during the operating hours.
- 16 millions a day : daily messages
- Availability : system hours from Sund 1900 UTC to Friday 2200 UTC

Fee Model Consultation Paper

09 January 2017 – Consultations

Responses due for 06 February 2017

Principles :

- Cost recovery
- Unrestricted data
- Open Access
- Payment in advance

Registered users should be 1000+

ISIN Creators 40

FIX Access 50

Volumes estimate for 12 months is 12 millions ISIN.

Models under study are :

- Per ISIN creation,
- Fixed fees for ISIN creators
- Banded fee for ISIN creators
- Market share proxy for ISIN creators
- Fixed fee for FIX access

Documentation

- Finalization of ESMA ISIN Requirements

TC68/SC4/SG2 Phase II

October 25, 2016

-TC68/SC4/ Study Group 2

OTC Derivatives ISIN Project

Co-convenor report

May 31, 2016

Co-convenors: Robin Doyle and Alan Dean

- ANNA DSB – Fee Model Consultation Paper

9 January, 2017

- ANNA DSB – Technology and Operations Consultation Paper1 – Final Report

09 February 2017.