

Clarifications to Issues of Industry Interest

23 November 2016

Concerns about the governance and pricing of the ANNA Derivatives Service Bureau are generating a great deal of background noise among some trade associations and data vendors. We believe this may be due to lack of information about the business plans and status of those plans for the DSB, as well as our thinking as we are moving through this process. The following status report is a more detailed overview of where we are in developing the business structure of the DSB, particularly in regard to pricing and governance.

This is only a status report, and the DSB is still in development. However, the project is progressing according to plan, and we will continue to provide updated information as further steps are completed.

Pricing

The DSB will offer two types of services – the Numbering Agency service and the value-added services. These services will operate under different business imperatives and oversight requirements.

The Numbering Agency services comprise the registration/allocation process for obtaining International Securities Identification Numbers (ISINs) for OTC derivative products, as well as maintenance of the archive of ISIN files and user access to the archive. The Numbering Agency services are information infrastructure of the financial industry and are subject to the business and technical terms required by International Organization for Standards (ISO). These terms include cost-recovery pricing.

What those costs will be and how the pricing will be organized is partially settled and partially still under study. The settled aspect is that download of the ISIN archive or any part of it will be cost-free. The freely available ISIN archive, as it is currently devised, includes the ISIN codes and all the reference data associated with each ISIN.

As it stands now, there will be no additional cost for downloading or using an ISIN for OTC Derivatives. In the data descriptions for derivative types that have been completed, there are no data points in the ISIN files that carry specific associated costs. (The ongoing specification of data requirements is the mandate of the DSB Product Committee, and there is no indication so far that cost-associated data will be necessary.)

The part that is still under study is the pricing structure for the creation – that is the registration and allocation – of the ISIN which will be based on the cost-recovery model. Until the funding is complete

and the infrastructure built out, the actual cost of operation can only be speculated, so hard numbers for pricing are not yet available. ANNA's current thinking is that the DSB will use a pricing model based on annual subscriptions, except for small-volume users. Still under discussion is how to structure this model as fairly as possible.

The other category of services, the value-added services, will operate differently. These services do not fall under the ISO cost-recovery pricing model. They will be managed separately and will be priced competitively as commercial products.

Governance

On the topic of governance, there has been no news from ANNA, other than the creation of the Product Committee, because the issue is still largely in flux. The one aspect that is settled is that ANNA representatives will comprise a majority, at minimum, of the DSB board of directors. This is primarily because the non-negotiable function of the board will be to ensure that Numbering Agency operations of the DSB conform to ISO requirements. As the Registration Authority for the ISINs under contract with ISO, as well as the parent organization of the DSB, ANNA has the responsibility to ensure oversight and enforcement of the DSB's compliance with these rules.

In addition, each board member will have fiduciary responsibility to maintain the fiscal and operational health of the DSB through current oversight, future planning, and responsiveness to emerging issues.

Other than the ANNA majority on the board, the filling of the remaining seats depends on the funding arrangements for the DSB. The initial vision of funding the DSB and populating the board from its primary user community has not proven to attract interest. Alternative options are now under consideration. When the funding is secured, the constituency of the board will be announced.

Further issues of governance are partially settled and partially under study. The settled part is the creation of the Product Committee, which will operate under the board to further develop and maintain the ISIN standard and core taxonomy for OTC derivatives. Comprised solely of representatives of financial firms and trading venues that will be applying through the DSB for ISINs for OTC derivatives, the individual participants are being selected for their expertise in derivatives structure, life-cycle operations and related knowledge.

The creation of this user committee was a conscious effort not only to complete and maintain the efficacy of the standard through experts that volunteered for the good of the industry, but also to place that group in direct proximity to the board. The Product Committee brings industry representatives physically into the DSB structure in an honored position with the potential for mutual education and increasingly better-informed mutual support.

The ANNA board of directors has adopted a resolution to collaborate with ISO to support the governance requirements of the FSB / CPMI-IOSCO Harmonisation Group. In practice this means ANNA will support the evolution of the DSB governance based on the collaborative discussions taking place between ISO and the FSB / CPMI-IOSCO Harmonisation Group.

The major third-party components of the working structure of the DSB have been referenced in several public announcements. These include the Management Services Partner, the to-be-announced Service Provision Partner (both relationships subject to RFP-based evaluation at the end of their contracts) and the Product Committee.

All existing parts of the internal infrastructure currently operate under the ANNA board of directors, until the DSB board of directors is established.

As noted at the beginning of this article, this is a status report. The DSB is still under development. More concrete answers will be announced as the financial, operational and technological structure is finalized in the coming months.

Feedback and questions can be addressed to [Kathleen Hawk](#), ANNA Communication Counsel, or to the [ANNA board of directors](#).