January 4, 2017

Association of National Numbering Agencies
Derivatives Product Committee Secretariat
Via email: DSB-PC-Secretariat@etradingsoftware.com

Re: ANNA-DSB Product Committee Consultation Paper Phase 1- Final

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 consultation paper ("consultation paper“) on phase 1 of developing global, permanent and timely International Securities Identification Numbers ("ISINs") for over-the-counter ("OTC") derivatives.¹ Specifically, this consultation paper is focused on developing an ISIN which will meet the industry’s immediate need for the identifier to satisfy Markets in Financial Instruments Directive II / Regulation on Markets in Financial Instruments Regulatory Technical Standards 23 Annex 1 ("MiFID II / MiFIR RTS 23 Annex 1") requirements.

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 $29.178 trillion in assets under custody and administration and $2.446 trillion in assets under management as of September 30, 2016, 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.

State Street is supportive of the establishment of global standards for data which describe financial concepts and activities, as these data elements are becoming increasingly critical to the safety, soundness and efficiency of the global financial markets. Although State Street does not endorse any particular identifier, we understand the DSB Product Committee’s initiative to determine the specifications and maintain the technical integrity of the ISIN and the immediate need to satisfy MiFID II / MiFIR RTS 23 Annex I requirements. However, we have some broad concerns with the establishment and lack of representation on the DSB Product Committee and some technical comments on this first phase of defining an ISIN for OTC derivatives that fall within the scope of European Union (“EU”) legislation.

First, State Street believes that the DSB Product Committee should leverage the work already completed by the International Organization for Standardization Study Group 2 (“ISO SG2”) which was developed with a thorough and detailed analysis of the ISIN and consisted of representation from all aspects of the financial services industry. Leveraging this work will be a more efficient process, will eliminate duplicate efforts and will assist in streamlining the process to meet the tight MiFID II / MiFIR RTS 23 Annex 1 deadline. Additionally, SG2’s work product was the culmination of expertise throughout the field of OTC derivatives and consisted of ISO experts nominated by member countries of ISO/TC68/SC 4 and its liaisons. The foundation of SG2’s work was a set of core principles which included a multilevel framework that allows for ISINs to be created at different levels of granularity based on the requisite use case. This framework should be carried forward by ANNA, as it was agreed upon as a means to cover multiple regulatory and business use cases.

Second, State Street is concerned that the DSB Product Committee does not represent all aspects of the financial services industry and lifecycle of an OTC derivative. The application to be a member of the DSB Product Committee only requested individuals from the buy-side, sell-side, and trade venues. This limitation on applicants excluded certain critical players of the financial services industry, including custody banks such as State Street who play an important role in the post-execution lifecycle of OTC derivatives and many roles beyond that of a custodian of physical assets and cash, such as middle office outsourcing, fund accounting, and regulatory reporting on behalf of their clients. Currently, the DSB Product Committee consists of only electronic trading platforms, global banks, and asset managers. We believe that the DSB Product Committee’s work should ensure there is enough metadata to support end-to-end services for all players in the OTC derivatives lifecycle.

Besides these overall comments on the DSB Product Committee’s make-up and establishment, we have the following specific comments on this consultation paper related to scope, the product roadmap, timeline and approach, principles, product classification, data validation, intellectual property rights, and ISO standard currency codes.

**Scope (Question 1)**

The consultation paper provides products that fall under a combination of Classification of Financial Instruments (“CFI”) codes for rates, commodities, equity, credit, foreign exchange (“FX”), and others (miscellaneous) and asks whether there are any products that are expected to be tradeable on a trading venue by January 3, 2018, that will not be covered by the combination of these CFI codes.

First, MiFIR draft RTS 23 is not limited to transactions which are executed on a trading venue. Recitals 3 and 4 of the regulation specifically reference trading venues and systemic internalizers. As such, we believe that the DSB Product Committee’s analysis should extend beyond products traded on a trading venue and the ISIN should accommodate trades on both a trading venue and those executed between systemic internalizers. Moreover, we are concerned that a limit on scope could lead to a situation where an ISIN is required but not available, which would directly impact a firm’s ability to trade and report.

Second, State Street believes that these CFI codes are not granular enough for all products. For example, ISDA’s taxonomy for FX products allows for a more appropriate classification and grouping of similar FX products with similar functionalities versus the CFI codes provided in the consultation paper, which would result in the grouping of dissimilar FX products without the distinction at a more granular level of those FX

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2 As of December 7, 2016, the DSB Product Committee members included individuals from Intercontinental Exchange, Citigroup, J.P. Morgan, Bloomberg Trading Facility, Allianz Global Investors, Societe Generale, Tradeweb Europe, Fidelity, and Goldman Sachs Asset Management.

3 CFI codes are used to classify financial instruments in order to identify the financial instrument’s type and characteristics in accordance with international standards. The CFI code is established and maintained by the International Organization for Standardization.

products with similar functionalities. Additionally, several products will fall outside these CFI codes and therefore be placed in the “others (miscellaneous)” category, thus diminishing the value of the data. Moreover, the ISDA taxonomy was the underlier of the SG2 work and any trade represented in Financial products Markup Language (“FpML”) already automatically maps to the relevant ISDA taxonomy based on its trade characteristics, therefore increasing standardization.

**Product Roadmap (Question 4)**
The consultation paper proposes a basis to determine the sequencing of product definition groups with the groups categorized as: (1) products traded by all venues that support that particular asset class; (2) products traded by only some of the venues that support that particular asset class; and (3) products traded by none of the venues that support that particular asset class. Question 4 asks whether this is an appropriate approach for the prioritization of products.

State Street believes this is a reasonable approach but has concerns that this may just be a snapshot of a particular point in time. Therefore, the appropriate categorization of products would need to be constantly monitored. Additionally, there are inherent risks associated with starting with the more standard products and such an approach may lead to a model that lacks extensibility or limits the industry’s future ability to support other new requirements.

**Timeline and Approach (Question 5)**
The consultation paper cites the tight deadline of April 2017 for user acceptance testing (“UAT”) and asks whether there is sufficient time for the industry to respond. Although State Street has concerns with the timing of the DSB Product Committee’s consultation papers and implementation due to the tight UAT deadline, we believe that the DSB Product Committee should focus more on providing the industry instructions on how to register and detail the process in order to begin UAT. The timing of registration instructions and the process that firms need to follow is more critical than the timing of the consultation papers, as any delays in registration will be a bottleneck in a firm’s ability to start UAT.

**Principles (Question 8)**
The consultation paper describes the progress made by the ISO SG2 group in developing a hierarchy of ISINs that met both regulatory and industry requirements but notes that significant challenges remain to resolve and complete the granularity definitions for all products in scope. In this first phase, the DSB Product Committee is focused on the ISIN generation for OTC derivatives to meet the immediate MiFID II / MiFIR RTS 23 Annex 1 requirements before moving on to other potential levels, thus leaving open the ability to synchronize and integrate the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions’ (“CPMI-IOSCO’s”) harmonization of the Unique Product Identifier (“UPI”) guidance. Question 8 then asks whether 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?

As noted in State Street’s response to both the 1st and 2nd consultations related to the harmonization of the UPI6, we have concerns with the risk of fragmentation from the proliferation of multiple, different OTC derivatives data elements6 and support consistency in the identifier for individual underlying asset classes.7 We believe that it would be challenging for the industry to implement a change in the ISIN hierarchy level if in

5 State Street’s responses to the first and second consultative reports on the harmonization of the UPI are available at http://www.bis.org/cpmi/publ/comments/d141/statestreet.pdf and http://www.bis.org/cpmi/publ/comments/d151/statestreet.pdf respectively.

6 See http://www.bis.org/cpmi/publ/comments/d141/statestreet.pdf.

7 See http://www.bis.org/cpmi/publ/comments/d151/statestreet.pdf.
the future the DSB Product Committee wanted to have the ISIN meet CPMI-IOSCO requirements. We believe other regulatory and business requirements to facilitate end-to-end servicing of OTC derivatives should be taken into account as opposed to solely focusing on MiFID II / MiFIR RTS 23 requirements in this consultation paper, as this underlying framework will be critical to industry’s full adoption of the ISIN.

Additionally, the DSB Product Committee should consider the needs of the user versus what the engine is actually doing, access into the metadata, and system configurations before implementing any change after the ISIN hierarchy level is determined.

**Product Classification (Question 12)**
The consultation paper notes that product classification will be used to ensure there is sufficient product coverage to meet the immediate requirement under MiFID II / MiFIR RTS 23 Annex 1 and states that ISO 10962 standard (CFI code) will be used but supplemented with the FIX taxonomy and ISDA taxonomy if necessary. Question 12 asks whether CFI is the most appropriate taxonomy to use in identifying the product templates.

State Street believes that the ISDA taxonomy would be a more appropriate standard for product classification. The ISDA taxonomy is more granular and is already in use for transaction and trade reporting. Additionally, the ISDA taxonomy was the baseline of ISO SG2 work which we believe should be leveraged, as noted previously, and FpML already automatically maps to the relevant ISDA taxonomy, thereby increasing standardization.

**Data Validation (Question 13)**
The consultation paper notes that the DSB Product Committee acknowledges that invalid ISINs could be created if an invalid combination of attributes were submitted to the DSB and states that combinations of data values will be highlighted that could potentially create invalid products. Although this consultation paper does not address the identification process, as this will be discussed in the phase 2 consultation paper, Question 13 asks whether we 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.

State Street agrees that the responsibility for data validation should be clearly allocated and believes that data quality control and assurance should reside with the DSB. By allocating data validation responsibility to the DSB, the overall process will be strengthened and it will eliminate possible weak links due to the large number of likely submitters to the engine. If the engine does not validate the reference data, then there will be an inability for all users to trust the accuracy of the data for their reporting and business processes. Additionally, we believe that the engine should “pre-issue” many of the more standard OTC products (e.g. vanilla rates and credit indices) which would reduce the overall volume of new submissions.

**Intellectual Property Rights (Question 14)**
The consultation paper details potential challenges related to intellectual property rights which have already been identified, including: the underlying Reference Entity Database (“RED”) codes for credit derivatives; the underlying ISINs based on Committee on Uniform Securities Identification Procedures (“CUSIP”) identifier used from outside the EU; and the enumeration list for the floating rate index. It then states that the DSB will develop an approach to address these intellectual property challenges as it fixes the detailed granularity for relevant product types. Question 14 asks whether we are aware of any other intellectual property issues that the DSB should consider while specifying the granularities of the products in scope.

Although currently State Street does not have other specific intellectual property issues to articulate, we do believe it is important that there be collaboration between regulators and industry to address these...
intellectual property issues. We would welcome the assistance of regulators and industry experts to collaborate on a common method for the core processing of identifiers, which encompasses a cost efficient model for the use and redistribution of the identifiers. Additionally, while we respect a provider’s intellectual property as it relates to the metadata of the identifier, the use of the identifier itself should be viewed as a public good.

**ISO Standard Currency Codes (Question 15)**
The consultation paper details the use of ISO standard currency codes in isolation, thereby excluding offshore currencies. Question 15 asks whether we agree with this approach and if not, to explain our reasoning.

State Street believes the use of ISO standard currency codes in isolation is insufficient because offshore currencies would likely be viewed as different products. Therefore, as different products, offshore currencies would require a unique ISIN. To resolve this, another method should exist, whether it be a code or another metadata field, to allow for a different ISIN when ISO codes do not exist for a particular currency.

**Conclusion**
In conclusion, State Street strongly believes that the DSB Product Committee should leverage the work already completed by ISO SG2 and should reconsider the make-up of its product committee by including end-to-end participants of the OTC derivatives space, including custody banks, who will provide unique perspectives that should be reflected in the development of the ISIN.

Additionally, the ISIN should: accommodate trades beyond those on a trading venue; use the ISDA taxonomy which is more granular than that of CFI codes; think through beginning with more standard products when prioritizing products; provide details for UAT registration and the UAT process; take into consideration other business, regulatory, and technological requirements when developing the ISIN; clearly allocate responsibility for data validation to the DSB; provide another method to allow for a different ISIN when ISO codes do not exist for a particular currency; and resolve intellectual property issues through regulator and industry collaboration.

Please feel free to contact me at smgavell@statestreet.com should you wish to discuss State Street’s submission in further detail.

Sincerely,

Stefan M. Gavell