

Anonymous1 – DSB Product Committee CP2 Response

ANNA-DSB Product Committee

Response to Consultation Paper Phase 2

Question 1: Bearing in mind that the Day 1 implementation of the ISIN is intended to satisfy the MiFID II Reference data reporting requirements, whilst maintaining structural flexibility for implementation of additional levels in subsequent phases, are there any attributes in the SG2 table above that should be added to the Fixed Float Plain Vanilla Product Definition?

Please bear in mind that whatever is decided will form a Level in the overall ISIN Framework and will therefore restrict Higher Levels to a subset of attributes that exist in this list and Lower levels will be mandated to contain all of these attributes.

Our view is that no additional attributes should be added to the product definition and that the ISIN level should be implemented to match RTS 23 exactly.

Rationale:

Valuable time has passed since the conclusion of the SG2 work in May 2016 and we understand the increasing pressure of implementation limitations and considerations. Little time is left at this point to tackle the open questions SG2 left outstanding and to complete the SG2 analysis for all asset classes.

Therefore, if the DSB cannot implement the SG2 recommendations as is, we strongly propose to focus on the RTS 23 requirements to make ISIN work for MIFID II. We do not see value in trying to arbitrarily pick certain additional data fields for particular asset classes if there is no clear link to the underlying use case that requires these additional data fields. These use cases formed the basis of the SG 2 analysis.

Adding attributes beyond RTS 23 will effectively create a new ISIN level which will be a hybrid between SG2 level 1 and SG2 level 3 (because it includes Maturity Date). We don't see the added value in this arbitrary hybrid level or the use case that this level will facilitate.

To emphasise this point, the SG2 work was carried out by a very large group of experts and over a long period of time, and still was not completed. It is unlikely that the nine Product Committee members have the capacity and expertise to extend or modify the SG2 findings, nor do they have the remit from the industry to do that.

At the same time, adding attributes beyond RTS 23 will result in significant operational costs to market participants.

In the absence of ISIN constructed exactly at RTS 23 level, any firm with RTS2 reporting obligation (i.e. not just SIs) will need to have real-time connectivity to the DSB. This is because APAs have their own reference data reporting obligations that include the ISIN as a mandatory field. So although under RTS 2 the reporting firm can report to the APA without ISIN (using OTHR and additional attributes), the APA will not be able to obtain the ISIN for its own ref data reporting because it does not have the non-reportable ISIN attributes. The outcome is that APAs will always mandate the ISIN and will not allow the use of OTHR.

Furthermore, any additional attribute beyond RTS 23 will result in additional costs to market participants that already implemented RTS 23. This is because MIFID reference reporting under RTS 23 is mainly generic, but the additional attributes will be specific for each product template.

In summary, we do not see the value in adding attributes beyond RTS 23 and we do anticipate additional operational and implementation costs. Therefore our view is that no additional attributes should be added to the product definition.