



State Street Corporation

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

Re: ANNA DSB Consultation Paper – Phase 2

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 2¹ to obtain industry feedback on the acceptability of a set of attributes within the Fixed Float Plain Vanilla Interest Rate Swap Product Definition, as an example, to ensure that the first phase (Day 1) International Securities Identification Number (“ISIN”) level is as useful as possible to industry without compromising the technical reporting requirements of the Markets in Financial Instruments Directive II / Regulation on Markets in Financial Instruments Regulatory Technical Standards 23 (“MiFID II / MiFIR RTS 23”) and future implementation of the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions’ (“CPMI-IOSCO’s”) guidance on harmonization of the Unique Product Identifier (“UPI”).

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 \$29.833 trillion in assets under custody and administration and \$2.561 trillion in assets under management as of March 31, 2017, 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.

First, State Street supports the global harmonization of reference data elements as it is becoming increasingly critical to the safety, soundness and efficiency of the global financial markets. As such, we believe that all aspects of the financial services industry and lifecycle of an over-the-counter (“OTC”) derivative should be represented in these discussions. Specifically, custody banks, such as State Street, must be involved in these discussions as we play a critical role in the post-execution lifecycle of OTC derivatives, are focused on the overall infrastructure of reference data, and can provide a unique perspective compared to singular firms. Custody banks, such as State Street, have the ability to

¹ ANNA- DSB - “Consultation Paper- Phase 2- 19 April 2017”, available at <http://www.anna-web.org/wp-content/uploads/2017/04/DSBPC-CP002-Consultation-Paper-Phase-2.pdf>.

aggregate data from several clients and therefore can look across our client base and provide collective insight compared to a singular firm's more limited perspective. Moreover, beyond just the custody of physical assets and cash, State Street provides services such as middle office outsourcing, fund accounting, and regulatory reporting on behalf of clients. Finally, State Street has significant experience in reference data, and we already commit substantial resources to such important efforts.

State Street does not opine on all aspects of the consultation paper, but instead has chosen to focus on a few key recommendations related to a multi-level ISIN; leveraging the International Organization for Standardization Study Group 2 ("ISO SG2") work; harmonization across product types; and not expanding ANNA DSB's remit to other workflows which have a cost associated with them. Our main recommendations are:

- First phase implementation should be a multi-level ISIN but should not interfere with the timely issuance of an ISIN for the MiFID II / MiFIR RTS 23 compliance deadline;
- ANNA DSB should leverage ISO SG2's multi-level framework;
- "Leg level" payment fields should be harmonized across product types where appropriate; and
- ANNA DSB should not undertake additional workflows which have costs associated with them.

First Phase Implementation should be a Multi-Level ISIN

State Street believes that the first phase implementation should be a multi-level ISIN as long as it does not interfere with the ISIN being ready for the October 2017 MiFID II / MiFIR RTS 23 compliance deadline. The consultation paper states that the first phase (Day 1) design of the ISIN will support a multi-jurisdiction/business product definition and multi-level hierarchy. However, the consultation paper goes on to state that "[t]he first phase implementation will focus on the single level of ISIN to meet the immediate requirement of MiFID II as articulated by RTS 23. Extensibility is factored into the ISIN design and the expectation is that CPMI-IOSCO requirements will be satisfied by a parent above the day 1 level while greater granularity to meet industry requirements can be created below the day 1 level as children."

Although ANNA DSB intends for the ISIN to be extensible and eventually factor in a multi-level ISIN, State Street believes that practically speaking, once institutions build out data flows at the RTS 23 level, it is unlikely that these same institutions would rebuild their data flows in a reasonable time period to accommodate additional levels of granularity without a regulatory mandate. The end results will be inconsistency and bifurcation among firms; more costs for the additional levels of granularity; and a lack of global harmonization. Therefore, State Street believes that ANNA DSB's day one implementation should be a multi-level ISIN in order to promote global adoption of the identifier, with the caveat that such an approach does not impede on the ISIN being ready for the October 2017 MiFID II / MiFIR RTS 23 compliance deadline.

Leverage ISO SG2's Multi-Level Framework

Also, as stated previously in our response to the ANNA DSB Phase 1 Consultation Paper², State Street believes that the ANNA DSB Product Committee should leverage the work already completed by the ISO SG2. This work was developed with a detailed analysis of the ISIN and consisted of representation from all aspects of the financial services industry. Although State Street appreciates that ANNA DSB adopted

² State Street Corporation's response to ANNA DSB Product Committee- "Consultation Paper Phase 1- Final 9 December 2016" available at <http://www.anna-web.org/wp-content/uploads/2017/01/170104-ANNA-1st-Consultation-Development-of-ISIN-State-Street-comments.pdf>.

some aspects of the ISO SG2 work, we believe that the partial adoption of the ISO SG2's foundational work, which included a multi-level framework that allows for ISINs to be created at different levels of granularity based on the requisite use case, will actually hamper the global adoption of the identifier. This multi-level framework, developed by ISO SG2, was agreed upon as a means to cover multiple regulatory and business use cases. As such, State Street believes that ANNA DSB should leverage more of the ISO SG2 work, specifically the multi-level framework.

Harmonization across Product Types when Appropriate (Question 1)

The consultation paper provides a product definition which is a fixed set of attributes that when populated will generate an ISIN. It then provides the fixed float use case as a worked example and covers selection attributes; input attributes; and derived attributes. Question 1 relates to the input attributes and asks whether there are any attributes in the provided table that should be added to the Fixed Float Plain Vanilla Product Definition. The table specifies the floating leg: payment frequency; floating leg: day count fraction; fixed leg: payment frequency; and fixed leg: day count fraction. State Street agrees with these fields but believes that these leg level payment fields should be harmonized across product types when appropriate. Specifically, we believe that these leg levels should be used for credits as there are shared elements between rates and credits and therefore, the data elements should be consistent.

Other Workflows are Unnecessary (Questions 8-10)

The consultation paper describes additional initiatives that ANNA DSB is considering pursuing. Specifically, ANNA DSB Product Committee correctly states that the definition of ToTV or uToTV has not yet been finalized and published by the European Securities and Markets Authority. Recognizing this lack of definition and the fact that it may have an impact on ISIN granularity, ANNA DSB provides a conceptual proposal to address this gap, including mutualizing the cost of completing and maintaining the mapping between ISINs and ToTV for the industry; decoupling the ISIN definition from the definition of ToTV; and ensuring that any further changes to the ToTV definition is absorbed by ANNA DSB without impacting the industry. Questions 8, 9 and 10 ask whether this proposal related to ToTV and UToTV is beneficial to the market (question 8), whether other workflows should be accepted (question 9), and whether the DSB should provide liquidity/size specific to instrument ("SSTI")³ data in response to users alongside the ToTV and uToTV flags (question 10).

State Street does not believe that these additional workflows should be undertaken by ANNA DSB as they are beyond ANNA DSB's remit. As for SSTI levels, this function is best kept outside ANNA DSB. SSTI levels will be published by regulators and should be included by market participants in their relevant systems and is not related to generating unique identifiers for products. Finally, there is a cost associated with such initiatives⁴ which should not be absorbed by the multilateral trading facilities and systematic internalizers when there is no value added to these platforms.

³ SSTI is a MiFID II concept related to what constitutes a large trade whose quote does not need to get published or the trade publication is delayed.

⁴ The ANNA DSB Consultation on Fee Model 2 states that 600K Euro should be budgeted for contingency during start-up and then an annual contingency fee fund of 750K Euro. "A contingency fund to cover any extraordinary costs or charges that DSB may incur during the build phase. For example, if there is a request by industry for the DSB to implement ToTV/uToTV functionality into the core DSB service within the cost-recovery mandate." "An annual contingency fund to cover unplanned costs during the initial few years of operation. For example, if industry were to request the DSB to provide additional services within the cost-recovery mandate." See ANNA DSB- "Fee Model Consultation Paper 2- 2 May 2017" available at <http://www.anna-web.org/wp-content/uploads/2017/05/DSB-CP002-Consultation-Paper-Fee-Model-2.pdf>.

Conclusion

In conclusion, State Street strongly believes that custody banks, such as State Street, should have a seat at the table during these reference data discussions. We not only play a critical role in the post-execution lifecycle of OTC derivatives, but are also focused on the overall infrastructure of reference data, can provide a unique perspective compared to that of singular firms, already commit substantial resources to such important efforts, and have significant experience in reference data. Additionally, we believe that a multi-level ISIN should be used for the first phase implementation and not just design but should not interfere with the MiFID II / MiFIR RTS 23 compliance deadline; the multi-level framework from ISO SG2 should be leveraged; the leg level payment fields should be harmonized across product types where appropriate but specifically across rates and credits; and ANNA DSB should not undergo a workflow to define ToTV or uToTV or any other workflows which would have additional costs associated with them.

Please feel free to contact David Saul at dnsaul@statestreet.com if you wish to discuss State Street's submission in further detail.

Sincerely,

A handwritten signature in cursive script that reads "David Saul".

David Saul