

DERIVATIVES SERVICE BUREAU

UPI SERVICE OVERVIEW

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AREAS OF FOCUS

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2. UPI Availability Timeline
3. UPI Stakeholders
4. UPI Access and Workflows
5. UPI User Types and Suitability Assessment
6. User Number Estimates
7. Fee Model Determination Example
8. How to become a UPI service user
9. UPI Availability Timeline
10. Further Information

I. DSB OVERVIEW

What is the DSB?

- A technology **platform** which can generate an identification hierarchy for OTC derivatives
- Within its scope of OTC derivatives, it provides the industry with an archive of International Security Identifier Numbers (**ISINs**) and their associated **instrument reference data**
- It is **global** in design and operation, operated under the ISO principles including on a **cost recovery** basis

What does the DSB do?

- **ISIN, CFI and FISN generation** for OTC derivative product as required by market participants
- **Distribution of OTC ISINs** and their associated reference data to market participants
- Access means include a **web interface, programmatic connectivity** and **file download**
- Future generation of **Unique Product Identifiers (UPIs)** – **from July 2022**

Drivers

- **EU regulators** have **mandated** that ISINs identify instruments for **MiFID2 / MiFIR** reporting, including some **OTC derivatives**
- The **DSB** is the sole source of **ISINs for OTC derivatives** and was engineered to serve the needs of regulators and industry participants, to enable the industry to meet regulatory obligations
- The **DSB** has been **designated** by the FSB as the **sole UPI Service Provider** and operator of the Reference Data Library

I. DSB OVERVIEW

Industry Stewardship

- Product definitions and maintenance via industry-led Product Committee of market practitioners
- Technology Advisory Committee formed to advise on future evolutions of the DSB technology platform to address changing market requirements
- Public and transparent Industry Consultation process is open to all users to shape the evolution of the service
- Third Party Assurance Audit - ISAE 3402 and AAF 01/06 Type I and Type II Reports

Equal Treatment

- The DSB aims to ensure parity and efficiency in delivery of service which includes following standardised processes and procedures for all users of the DSB operating under the cost recovery service
- The DSB utilises a common agreement to ensure equal treatment across all users. Any exceptions to the terms are only introduced on the basis that they can be consistently applied across all users without imposing a risk on the service

I. DSB OVERVIEW

Cost Recovery

- The numbering agency services will be provided on a cost-recovery basis

Reasonable and Non-Discriminatory (RAND) Access and Use

- DSB ISINs and their associated data will have no licensing restrictions on usage and distribution for any purpose as part of the ISIN record
- Access to the DSB archive for consumption of OTC derivative ISINs and associated reference data will be available for free to all registered organizations and users

Leveraging the Existing DSB Service Provision

- Minimizing implementation and run costs for the DSB which in turn reduces the cost basis used to determine UPI annual user fees
- Reduction of user's own technology burden so that the several hundred institutions already connected to the DSB can overlay their UPI related workflows in a manner that is more integrated with their other OTC derivative reference data needs

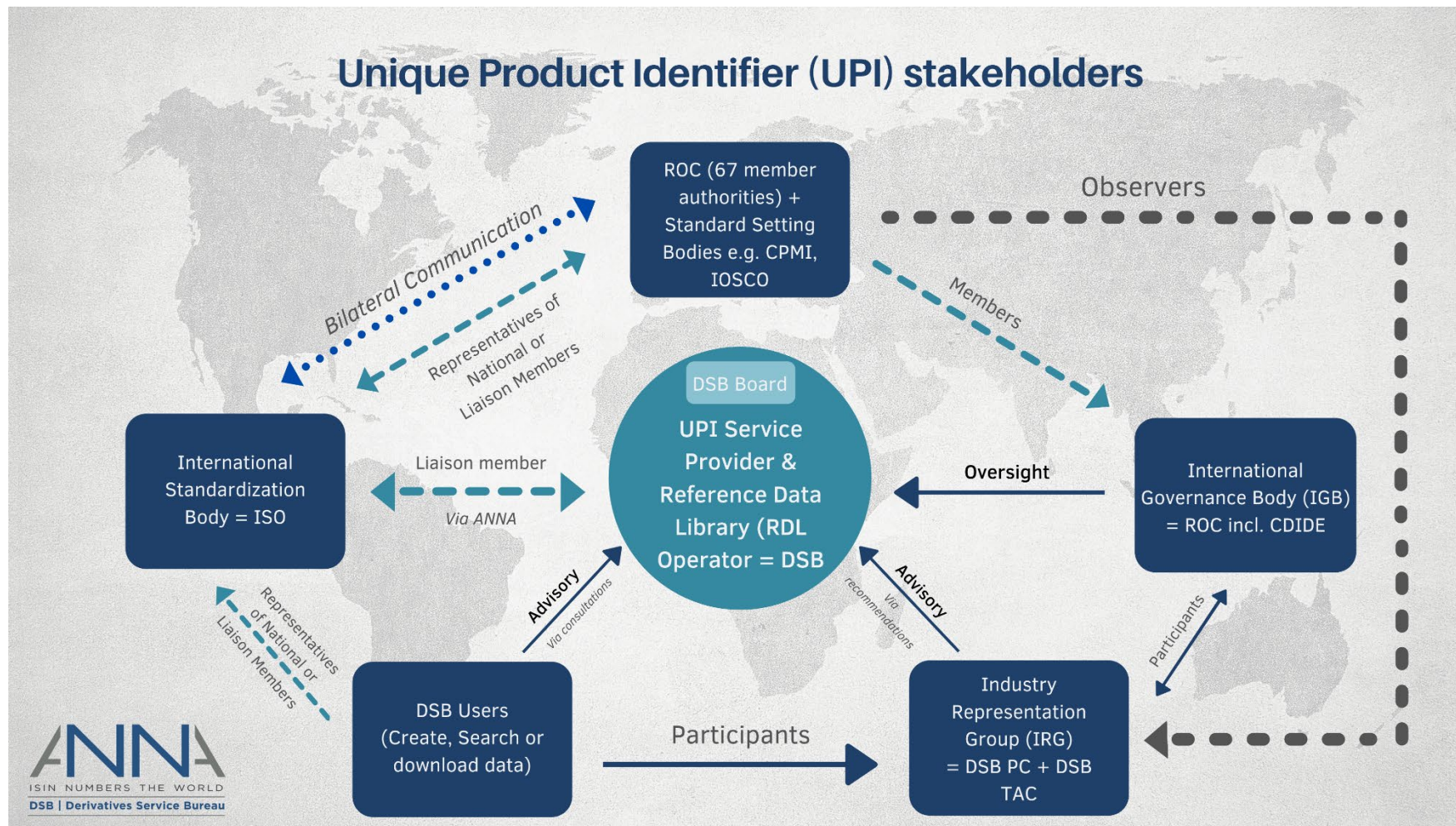
2. UPI AVAILABILITY TIMELINE

- As part of its Governance arrangements for the UPI, the FSB outlined high-level expectations for global UPI implementation planning.
- It was recognized that jurisdictional implementation is likely to be staggered, occurring at varying speeds because of the independent decision-making processes and prioritization of initiatives in each jurisdiction.
- Allowing for legal changes to be made and for Trade Repositories (TRs) and reporting entities to adapt, the FSB recommendation is that jurisdictions undertake the necessary actions relevant to their situation to implement the UPI technical guidance no later than the third quarter of 2022.
- In preparation for UPI adoption and implementation by supervisory authorities, the DSB continues to work with the Regulatory Oversight Committee (ROC) and industry stakeholders to refine the requirements and framework for UPI integration.

2. UPI AVAILABILITY TIMELINE

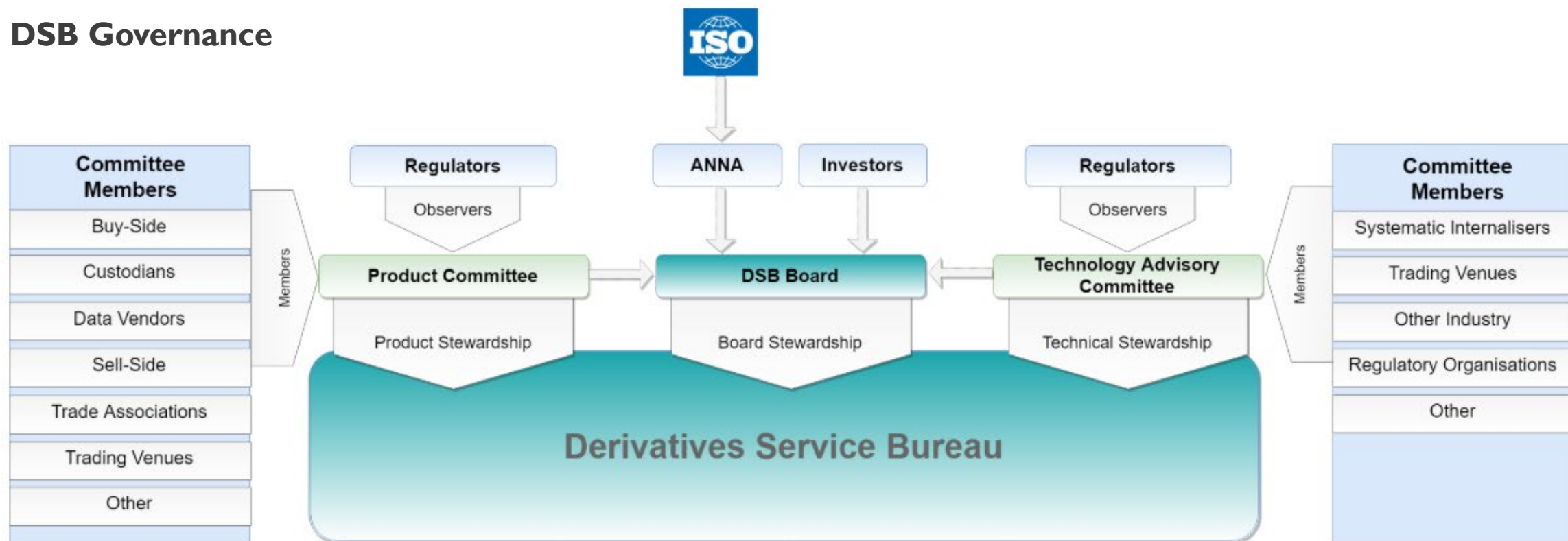
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10	UPI Legal Terms and Conditions Consultation (dates to be confirmed)	Q4 2021
11	Legal Consultation Conclusions published (date to be confirmed)	Q1 2022
12	Internal DSB Quality Assurance Testing of UPI Platform (date to be confirmed)	Q1 2022
13	UPI User Acceptance and Integration Testing Commences + User on-boarding commences (date to be confirmed)	End Q1 2022
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3. UPI STAKEHOLDERS



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DSB Governance



3. STAKEHOLDERS: INDUSTRY REPRESENTATION GROUPS

Technology Advisory Committee (TAC) and the UPI specific TAC Strategy Subcommittee (TAC SSC)

- Key areas of focus have been:
 - ❖ User scalability proposal
 - ❖ ReST Rules of Engagement (RoE) document updated to include new methods to support the UPI
 - ❖ FIX RoE documentation updated to include new methods to support the UPI
 - ❖ Workflows to support UPI Only, OTC ISIN Only and a combined UPI/OTC ISIN service
 - ❖ The primary/alternative underlier identifier requirements
- The TAC is also establishing a new subcommittee with a focus on Cloud Architecture, following feedback from a previous OTC ISIN industry consultation

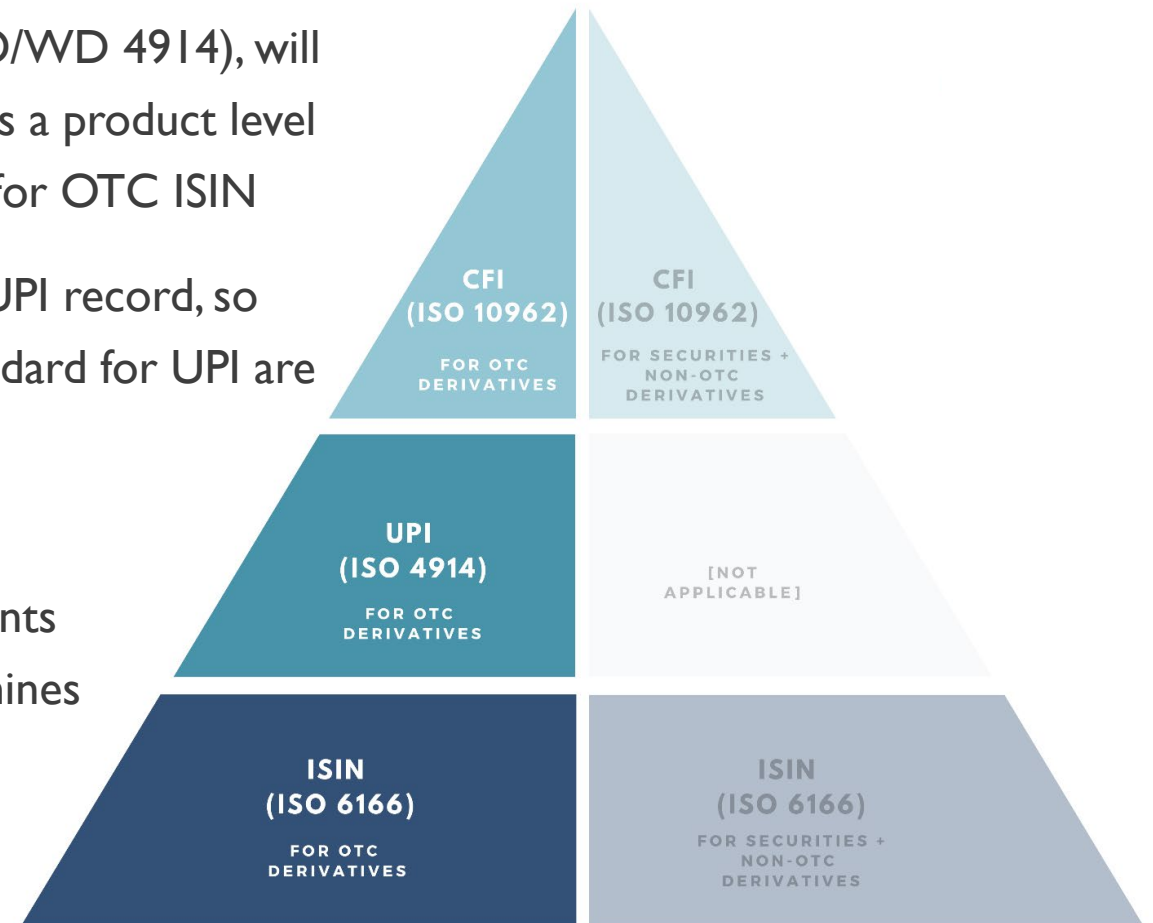
3. STAKEHOLDERS: INDUSTRY REPRESENTATION GROUPS

DSB Product Committee (PC)

- The PC is focused on:
 - ❖ Retaining alignment between the CFI, UPI and OTC ISIN
 - ❖ Providing best practice guidelines to facilitate data alignment and consistency – in creation and use
 - ❖ UPI Product Definitions – principles, challenges and ongoing dialogue with the CDIDE
 - ❖ UPI implementation timeline and market education efforts
 - ❖ Enhancements to the OTC ISIN to support additional UPI data elements introduced in the draft UPI standard
 - ❖ Evolution of the FISN (human readable financial instrument short name) to cater for the UPI
 - ❖ CFI standard transition from the 2015 version to the 2019 version

3. STAKEHOLDERS: ISO STANDARDS

- The UPI, currently being developed as an ISO standard (ISO/WVD 4914), will sit within the suite of ISO standards provided by the DSB as a product level identifier, reflecting a subset of the data elements required for OTC ISIN
- The DSB PC will determine the precise definition of each UPI record, so long as the minimum data elements set out by the ISO standard for UPI are satisfied
- The PC therefore can determine whether any given UPI product definition should contain any additional data elements beyond those specified in the UPI ISO standard, if it determines that these additional data elements best represent the key feature set of the product



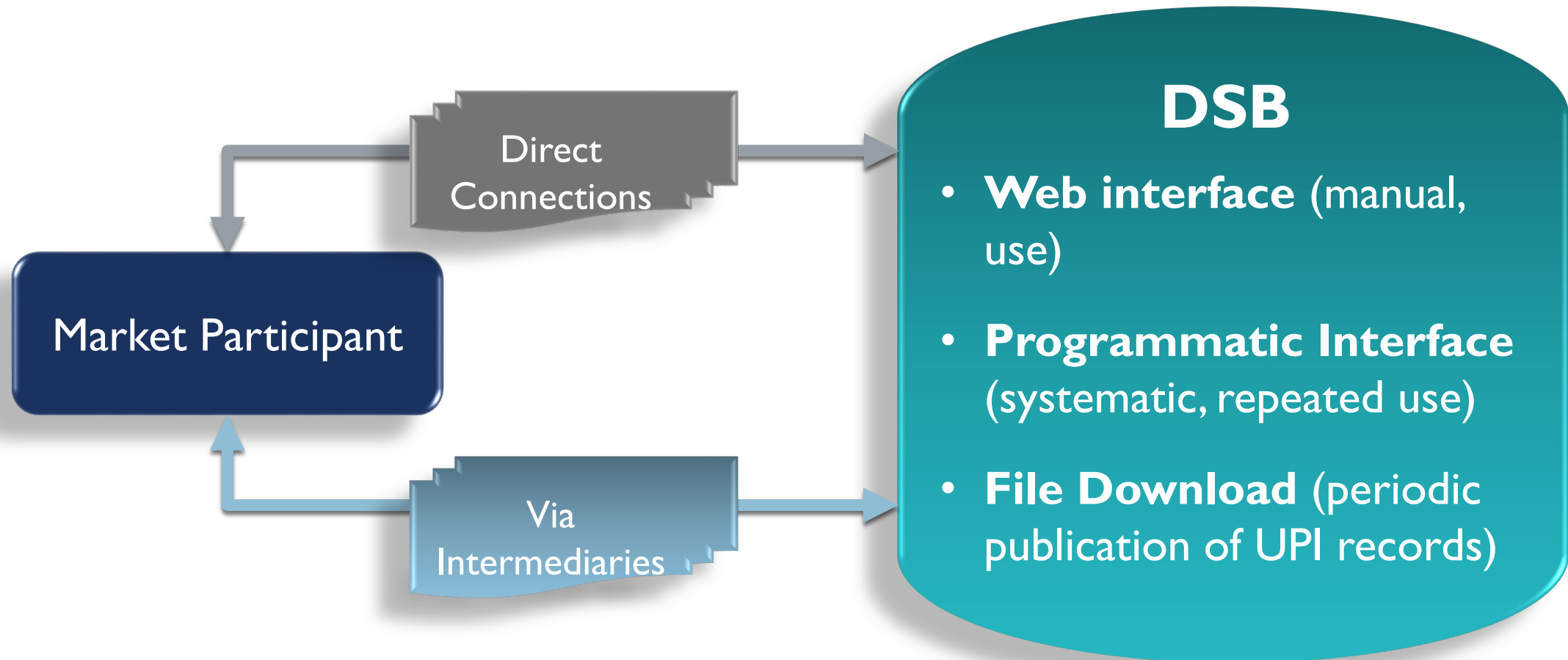
3. STAKEHOLDERS: ISO STANDARDS

- The DSB PC has commenced a review of the alignment between the data elements contained in the OTC ISIN and the UPI as set out in the Technical Guidance Document published by CPMI-IOSCO
- A key assumption is that the data elements contained in each of the CFI, UPI, and OTC ISIN will remain aligned
- This approach is endorsed by the DSB PC as it allows market practitioners to readily understand the relationship between the various standards, and also more efficiently seek to create and/or search for data to assist with their global regulatory reporting obligations
- The DSB PC will work with the ROC to resolve any concerns with respect to alignment of the CFI, UPI and OTC ISIN
- **It is expected that all OTC derivatives that are reportable to regulators could have one or more of the CFI, UPI and OTC ISIN – an approach supported by the DSB’s data architecture**

3. STAKEHOLDERS: INDUSTRY CONSULTATION

- The first UPI Fee Model Consultation closed on 5 March 2021, responses are publicly available on the DSB website
- The second UPI Fee Model Consultation opened 10 May and closes 9 July 2021. Highlights include -
 - ❖ A summary of responses from the first consultation for each question
 - ❖ A revision of user number projections based on feedback received to the consultation, as well as additional feedback received from ROC members with respect to UPI implementation plans
 - ❖ Questions relate to user estimates, forecast workflows for users, file download timing, cost projections and associated user fee estimates, cost allocation policy, user agreement duration, and the amortisation approach
- The Final UPI Fee Model Consultation Report will be published on 27 September 2021
- Consultation on the Legal Terms and Conditions is anticipated to open in Q4 2021

4. USER ACCESS AND WORKFLOWS



4. USER ACCESS AND WORKFLOWS

UPI Users will be able to:

- Create records
- Search for records
- Subscribe to receive newly created and/or updated records
- Download individual records
- Download regularly published delta files

The DSB will support 3 types of workflows:

- CFI, FISN and UPI only
- CFI, FISN, and OTC ISIN only
- CFI, FISN, UPI, and OTC ISIN together (fully mapped data)

Users need to decide which of the above workflows they need before connecting to the DSB.

4. USER ACCESS AND WORKFLOWS

It is anticipated that the following data elements would be available in each scenario set out on the previous slide:

- **Organizations that only require access to the UPI and CFI** – would obtain a UPI reference data record containing all input and derived data elements associated with the UPI
- **Organizations that only require access to the OTC ISIN, CFI and FISN (the current DSB service)** – would obtain an OTC ISIN reference data record containing all input and derived data elements associated with the OTC ISIN
- **Organizations that require access to the full suite of UPI, CFI, FISN, and OTC ISIN** – would obtain all the input and derived data elements that define each of the UPI, CFI and OTC ISIN

In each instance, the exact set of data elements returned by the DSB for each of the CFI, UPI, FISN, and OTC ISIN are subject to the criteria set out in the associated ISO standard and additional determinations made by the DSB Product Committee.

5. USER TYPES AND SUITABILITY ASSESSMENT CRITERIA

- **Programmatically Connect:**
 - ❖ High creation and search volumes in near real-time + subscribe to receive auto-updates + delta file download (typically addresses systematic need to mitigate operational risk)
 - ❖ Lower volume search-only in near-real time + delta file download (typically addresses need for systematic access for firms that wish to search but do not need to create)
 - ❖ Connect directly or via intermediaries (e.g. data vendors or technology platforms)

- **Manually Connect:**
 - ❖ Low volume creation + search + data download (no/low systematic operational risk mitigation requirement)
 - ❖ Creation on an exceptional basis + search + data download (no systematic operational risk mitigation requirement)
 - ❖ Search-only + data download

5. USER TYPES

Within the DSB existing service provision, access is currently provided to users on the following basis:

- i. **Power User:** programmatic connectivity for high volume creation + search (paid usage)
- ii. **Search-only API User*:** programmatic connectivity for lower volume systematic search (paid usage)
- iii. **Standard User:** manual creation and search for lower volume users, using a web-front end (paid usage)
- iv. **Infrequent User:** manual creation + limited search using a web-front end – targeted towards very low volume users, with a limit on the number of search results returned and an unlimited number of searches (paid usage)
- v. **Registered User:** manual search services using a web-front end, with a limit on the number of search results returned and an unlimited number of searches, no creation possible (**free to use**)

*Search-only API User to be introduced from 1 January 2022

5. USER TYPES

	Registered User	Infrequent User	Standard User	Search-only API User	Power User
Programmatically Create	x	x	x	x	✓
Manually Create	x	✓	✓	x	✓
Programmatically Search	x	x	x	✓	✓
Manually Search	✓	✓	✓	✓	✓
Subscribe to receive auto-updates	x	x	x	x	✓
Download delta files	✓	✓	✓	✓	✓
Download individual records	✓	✓	✓	✓	✓

5. USER TYPES: OPEN ACCESS DATA

Irrespective of user type, all DSB users will be able to:

- Search for OTC derivative data in near real-time by logging on to the DSB's web front end
- Conduct a manual search and download the specific record of interest in machine readable format
- Download machine readable records and have free of cost access to regularly published files containing a list of all new records created or updated in that period
- Obtain the UPI derivative identifier from the counterpart with whom the trade was executed
- Obtain the UPI derivative identifier from the trade execution platform on which the trade was executed
- Once obtained, use the UPI as part of their subsequent post-trade workflows

5. USER TYPE: AVAILABILITY OF DELTA FILES FOR DOWNLOAD

- Users of the combined CFI, FISN, UPI and OTC ISIN service can:
 - ❖ access free-to-access delta files (containing all new, expired, and updated records) will receive the file at 23.55hrs UTC, T+0 (i.e. daily)
 - ❖ The file will contain the UPI code alongside existing CFI, FISN, and OTC ISIN input and derived data elements

- Users of the CFI and UPI only service can:
 - ❖ access free-to-access delta files the full UPI record (UPI code and UPI input and derived reference data) at T+1 23.55hrs UTC

This approach aims to balance user feedback to the first UPI fee model consultation with a target operating model that can (i) support the financial sustainability of the UPI service, (ii) provide a fair service for all jurisdictions, and (iii) ensure adequate demand for the three user scenarios laid in the earlier slides

6. USER NUMBER ESTIMATES

Estimated number of organizations that might seek access to the DSB following launch of the UPI service. Expectations are based on regulatory surveys, informal market discussions and industry consultation

- Lower threshold estimates:
 - ❖ 500 organizations representing 3.5k legal entities expected to **pay to connect programmatically** to create and/or search for UPI records
 - ❖ 2,500 organizations representing 16k legal entities expected to **pay to connect manually** to create UPI records
 - ❖ 17,000 organizations representing 115k legal entities expected to **connect free of cost** to search for and/or download UPI records

- Upper threshold estimates:
 - ❖ 12,000 organizations representing 80.5k legal entities expected to **pay to connect programmatically**
 - ❖ 8,000 organizations representing 53k legal entities expected to **pay to connect manually**
 - ❖ 20,000 organizations representing 133.5k legal entities expected to **connect free of cost**

7. FEE MODEL DETERMINATION EXAMPLE

- UPI annual user fees will be charged on a cost recovery basis.
- Fee model variables are proposed to be used to determine the user fee per user type. Based on the existing DSB fee model structure, the variables to calculate the user fees will comprise the UPI Total Estimate Cost and user numbers per fee paying user type.
- Based on the proposed model, the higher the number of users, the lower the fee per user.
- In order to determine the annual fees, the first element is to set the Infrequent User fee as a fixed amount. The rationale for a fixed fee that it is high enough not to disadvantage those Standard or Power Users but low enough to be acceptable to Infrequent and small volume UPI creators.
- Following determination of the Infrequent User fee, the Power and Standard User fees are calculated. The Power User fee is proposed to be three times greater than the Standard User fee which is consistent with the existing OTC ISIN service provision, based on the respective functionality and connectivity.
- As with the existing OTC ISIN service fee model, the Standard Users fee is set to reflect the fact that such users are substantially cheaper for the DSB to support as the lack of a programmatic interface results in lower data throughput as well as lower infrastructure requirements.

7. FEE MODEL DETERMINATION EXAMPLE

Example as used in the second Fee Model Consultation Paper*, based on **3,000 fee paying users** -

Fee Model Variable	Value	Example Annual Fee
UPI Total Estimate Cost	€8.3m	
Number of Infrequent Users	900	€135
Number of Standard Users	300	€1,450
Number of Power Users	1,800	€4,300

Example based on **300 fee paying users** -

Fee Model Variable	Value	Example Annual Fee
UPI Total Estimate Cost	€6.5m	
Number of Infrequent Users	90	€150
Number of Standard Users	30	€11,400
Number of Power Users	180	€34,000

- Example figures are illustrative only.
- Final UPI annual fee determination is contingent on actual user numbers and UPI Total Estimated Cost once known.

*Excludes Search Only API as demand currently unknown

8. HOW TO BECOME A DSB UPI OR UPI + OTC ISIN USER

1. Determine which of the service models you require
2. Determine the user type that will be applicable to you
3. Users needing the UPI (via the UPI only and UPI + OTC ISIN combined service) will need to complete legal and technical onboarding activities via a DSB on-boarding portal
4. Users should note that:
 - a) It is proposed that all UPI creators and API users will sign a common User Agreement, which will automatically roll (subject to a termination provision) at the end of each Gregorian calendar year, subject to industry feedback

8. HOW TO BECOME A DSB UPI OR UPI + OTC ISIN USER

- c) Users joining the service at the time of UPI launch (in July 2022) will have an initial UPI User Agreement that is shorter than the standard 12-month period expected to apply in subsequent years, in order to align all subsequent User Agreements (UA) with the Gregorian calendar year. This is expected to result in a pro-rata initial fee to allow for the shorter duration
- d) Service fees will be payable in advance in keeping with the existing operating model to ensure effective support of the UPI service. This advanced annual commitment offers the DSB more clarity in aligning fee levels with cost recovery whilst ensuring the economic sustainability of the UPI service with establishment of financial reserves, and for users, it provides improved ability to forecast their costs for utilising UPI services.

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10. FURTHER INFORMATION

- Unique Product Identifier (UPI) latest information: <https://www.anna-dsb.com/upi/>
- UPI Timeline: <https://www.anna-dsb.com/upi-implementation-timeline/>
- About the DSB Product Committee: <https://www.anna-dsb.com/product-committee/>
- About the DSB Technology Advisory Committee: <https://www.anna-dsb.com/technology-advisory-committee/>
- UPI Fee Model Consultation: <https://www.anna-dsb.com/upi-fee-model-consultation-2021/>
- **Contact:** otc.data@anna-dsb.com

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