



Global Foreign Exchange Division
39th Floor
25 Canada Square
London
E14 5LQ

TO: ANNA-DSB Product Committee

Email: DSB-PC-Secretariat@etradingsoftware.com

22 December 2016

Re: Consultation Paper Phase 1 - Final

Dear Sirs,

The Global Foreign Exchange Division (GFXD) of the Global Financial Markets Association (GFMA) welcomes the opportunity to comment on behalf of its members on the consultation issued by ANNAs Derivatives Service Bureau (DSB) on 9 December 2016.

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants,¹ collectively representing approximately 85% of the FX inter-dealer market.² Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

Introduction

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. Many of the current legislative and regulatory reforms have had, and will continue to have, a significant impact upon the operation of the global FX market, and the GFXD wishes to emphasise the desire of our members for globally co-ordinated regulation which we believe will be of benefit to both regulators and market participants alike.

¹ Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, Nomura, RBC, RBS, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

² According to Euromoney league tables.

The GFXD has consistently promoted and supported efforts to align global data attribute and reporting standards as we believe that consistent standards offer regulators the best opportunity to oversee trading practices and market transparency.

We have actively supported the development of the ISIN for regulatory purposes, being a lead member of the product working group developing the ISIN under ISO SG2, specifically leading the initiative for FX.

- **We strongly recommend that the previous analysis performed on behalf of ISO SG2, based on ISDA FX taxonomy, is used by ANNA's DSB Product Committee for further development of the ISIN.**
- **We do not believe that an ISIN is required for non-MiFID instruments, and therefore an ISIN for FX spot is not required.**

1. Are there any products expected to be tradeable on a trading venue by Jan 3, 2018 that will not be covered by the combination of the above CFI Codes?

For FX, the GFXD strongly believes that any product analysis performed by the DSB Product Committee leverages the detailed and well considered previous analysis performed under ISOs SG2. For FX, the analysis contains specific data attribute analysis at the product/financial instrument level for all products defined in FpML under the ISDA FX Taxonomy³.

The global FX industry has historically used the FX ISDA Taxonomy due to its more granular and appropriate product classification and grouping of homogenous products with similar functionalities. The CFI code is currently not used as it does not provide sufficient granularity for FX products and we believe its use will result in the bucketing of heterogeneous FX products.

However, we are not aware at this stage of any FX products which would not fall within the CFI design but we would like to note that it is more appropriate, in the context of this question, that trading venues opine on the products they expect to trade.

We also understand that Recitals 3, 4 and 6 and the Articles of the MiFIR⁴ draft RTS 23⁵, are not singularly limited to transactions which are executed on a trading venue. The text specifically references reporting obligations on both trading venues as well as systemic internalisers (SI).

Given this, we do not believe that any product analysis should be confined to those products which are only traded on a trading venue. We believe that the ISIN generating engine should accommodate trades that are traded on a trading venue as well as those executed between SIs.

³ OTC Derivatives Products Taxonomy v2.0, available at <http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/>

⁴ Regulation (EU) 600/2014

⁵ Draft RTS 23, available at http://ec.europa.eu/finance/securities/docs/isd/mifid/rts/160714-rts-23_en.pdf

2. Are there any products covered by the combination of CFI Codes that will not be tradeable on a trading venue by Jan 3, 2018?

The global FX industry has historically used the FX ISDA Taxonomy due to its more granular and appropriate product classification and grouping of homogenous products with related functionalities. The CFI code is not currently used as it does not currently provide sufficient granularity for FX products and we believe its use will result in the bucketing of heterogeneous FX products.

However, we are not aware at this stage of any FX products which would fall within the CFI design which will not be traded on a trading venue, but we would like to note that it is more appropriate, in the context of this question, that trading venues opine on the products they will not allow to trade.

3. Within the CFI Code 'H', the DSB will focus on non-listed options. Do you know any complex listed options that are in scope of MiFID II, tradeable on a trading venue and do not currently have an ISIN issued by their NNA? If so, please give as much detail as possible about the product including the venue name.

No response from GFXD.

4. Do participants agree that this is the most appropriate approach for prioritization of products? If not please provide an alternative approach and rationale.

For FX, the GFXD believes that as the industry is required to have an ISIN to comply with regulatory obligations, we do not believe that there should be a requirement to prioritise the development of ISINs at the product level. We believe that development work should be complete in order to facilitate compliance with regulatory obligations.

We strongly support the analysis performed by ISO SG2 and that this should form the basis for any further analysis performed by the DSB Product Committee; the analysis performed by ISO SG2 was for the priority FX products. Recitals 3, 4 and 6 and the Articles of MiFIR⁶ draft RTS 23⁷, are not singularly limited to transactions which are executed on a trading venue. The text specifically references reporting obligations on both trading venues as well as SIs.

We therefore do not believe that any product analysis should be confined to those products which are only traded on a trading venue. We believe that the ISIN generating engine should accommodate trades that are traded on a trading venue as well as those executed between SIs.

Finally, we do not believe that an ISIN is required for non-MiFID instruments, and therefore an ISIN for FX spot is not required.

5. Given the tight deadline of April 2017 for UAT, is there sufficient time for the industry to respond? If not, please explain and provide evidence of how extending the duration of the consultation period will not detrimentally affect the implementation of OTC Derivative ISINs for the industry.

We support the response provided by the International Swaps and Derivatives Association (ISDA).

⁶ Regulation (EU) 600/2014

⁷ Draft RTS 23, available at http://ec.europa.eu/finance/securities/docs/isd/mifid/rts/160714-rts-23_en.pdf

6. **Are you aware of any other regulatory requirements (beyond MAR, EMIR and SFTR) that require an ISIN for OTC Derivatives? If so, please identify and specify how that ISIN definition must be different from the one to meet the above requirements.**

We support the response provided by ISDA.

7. **The first phase of the DSB PC ISIN definition will focus on defining a single level of an ISIN, within a potential yet-to-be-defined hierarchy, to meet the immediate requirement. Are there other immediate regulatory requirements the ISIN must meet that will need multiple levels of ISIN definition? Please specify the requirement and the reason in detail.**

We support the response provided by ISDA.

8. **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?**

We support the response provided by ISDA.

9. **Do you know of any products within scope of MiFID II that require additional fields from RTS 2 to be included in the ISIN definition? If so, please identify them and describe why they are required.**

We support the response provided by ISDA.

10. **Do you think the proposed single ISIN level, in addition to the Reference Data requirements under RTS23, must satisfy MIFID Transparency requirements under RTS2? If so, can you provide an explanation and examples where ISIN satisfying Reference Data (RTS23) will not be fit for Transparency (RTS2) use?**

We support the response provided by ISDA.

11. **Do you think the proposed granularity level is appropriate for the purpose of TOTV? If not, why?**

We support the response provided by ISDA.

12. **Do participants agree that CFI is the most appropriate taxonomy to use in identifying the product Templates? If not please provide an alternative approach and rationale.**

For FX, the GFXD does not believe that the CFI code is the most appropriate taxonomy. The global FX industry has historically used the FX ISDA Taxonomy due to its more granular and appropriate product classification and grouping of homogenous products with related functionalities. The CFI code is not currently used as it does not currently provide sufficient granularity for FX products and we believe its use will result in the bucketing of heterogeneous FX products.

13. **Do you agree with the approach of shared responsibility for data validation, 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? Please provide detailed examples in your response.**

We support the response provided by ISDA.

- 14. Do you know any other IP issues the DSB Product Committee must consider whilst specifying the granularities of the products in scope? If so, please provide the details of the attribute values and their current owners.**

We support the response provided by ISDA.

- 15. Do you agree with the approach to use ISO Standard Currency codes in insolation thereby excluding offshore currencies? The FpML WG has a solution to ISDA & CPMI/IOSCO which could be adopted or at a minimum referenced should there be a consensus.**

For FX, the GFXD strongly advises that only ISO 4217 currencies are permitted for data fields involving currencies, such as “Settlement currency”. The ISO 4217 currency format provides a defined list of allowable values which would ensure standardisation across the industry and prevent potential mismatches between counterparties using onshore and offshore values for the same trade. Offshore values should always be mapped to their onshore equivalent, for example CNH to CNY, as is currently the practice in major jurisdictions.

- 16. Are there additional attributes that must be included in the ISIN to cover products that will be tradeable on a trading venue by Jan 03, 2018? If so, please list the product (by CFI Code and/or FpML taxonomy) and the attribute(s) and their possible enumerations.**

For FX, the GFXD strongly supports the work performed by the ISO SG2 WG and recommends that the DSB Product Committee leverages the detailed data attribute analysis previously performed. Beyond the analysis performed by the ISO SG2, we are not aware at this stage of any additional attributes to be included within the ISIN but we would like to note that it is more appropriate, in the context of this question, that trading venues opine on the products they expect to trade.

Additionally, we request that the DSB Product Committee provides/requests further clarity on the following data attributes:

- 13: Notional currency 1. Booking models will vary by firm and we suggest that Notional currency 1 is always the lowest (first) ISO currency in the currency pair when sorted alphabetically. We recommend that the ISIN generating engine understands (rather than rejecting) if a request comes in as EURUSD or USDEUR with the ISIN being the same for both
- 30: Option type. FX options contain both a put *and* a call, rather than a put *or* a call. This is due to there being two currencies in the resultant trade: one will be bought and one sold if the option is exercised. Clarity is requested on how this attribute should be populated for FX
- 32: Strike price currency. For FX, this will be by currency pair rather than an individual currency and clarity is sought on how this attribute should be populated
- 47: Notional currency 2. Booking models will vary by firm and we suggest that Notional currency 2 is always the highest (second) ISO currency in the currency pair when sorted alphabetically. We recommend that the ISIN generating engine understands (rather than rejecting) if a request comes in as EURUSD or USDEUR with the ISIN being the same for both
- 48: FX type. We request clarity on which currency pairs will be contained in each 3 buckets provided (FXCR/FXEM/FXMJ)

- 17. Are there products where none of those fields are relevant for the definition of the underlying? If so, please provide detailed examples.**

For FX, the GFXD does not believe that an attribute will need populating if the underlier is not a MiFID instrument, for instance if is a FX spot trade.

- 18. Are their products where more than one of those fields are required for its definition? If so, please provide detailed examples.**

For FX, no.

- 19. Is there anything in the excluded list of attributes that should be included in the ISIN definition for an OTC Derivative?**

For FX, no.

- 20. For those products included in the Annex, are there attributes that have not been included that you recommend the committee include in order to meet the immediate regulatory requirements for the ISIN? Please include an example of the attribute, describe the attributes completely and the reason for its inclusion.**

For FX, no.

- 21. For those products included in the Annex, are there attributes that have been included but are not needed to meet the immediate regulatory requirements for the ISIN? Please describe the attributes and explain why they can be excluded.**

For FX, the GFXD recommends that there are attributes that are not suitable or required, specifically for the FX forward example provided:

- Expiry Date – we do not agree that this is appropriate for the FX forward. FX cash products (FX forward/FX NDF) do not have Expiry Dates. An Expiry Date is an attribute suitable for an option product
- Underlying Instrument Code – we do not agree that this should be populated when the underlier is not a MiFID instrument, in this case, FX spot
- Return or Payout Trigger – We do not believe that this is required for FX and is not part of the attributes referenced in RTS23
- Notional currency 1 and 2 - Booking models will vary by firm and we suggest that Notional currency 1 is always the lowest (first) ISO currency in the currency pair when sorted alphabetically. We recommend that the ISIN generating engine understands (rather than rejecting) if a request comes in as EURUSD or USDEUR with the ISIN being the same for both

- 22. Do you agree with the rules used to derive the FISN for those products listed? If not, please explain your reasoning.**

We support the response provided by ISDA.

23. Do you agree with the rules used to derive the Instrument Full Name for those products listed? If not, please explain your reasoning.

For FX, it is unclear where and how this attribute will be populated, both from leveraging the example in the annex for a FX forward as well as field 2 in RTS23. Any rules need to ensure that there is consistent application rather than any interpretation, especially given the number of market participants within the FX industry and their varying levels of technical sophistication.

24. Do you agree with the rules used to derive the CFI Code for those products listed? If not, please explain your reasoning.

For FX, the global FX industry has historically used the FX ISDA Taxonomy due to its more granular and appropriate product classification and grouping of homogenous products with related functionalities. The CFI code is not currently used as it does not provide sufficient granularity for FX products and we believe its use will result in the bucketing of heterogeneous FX products.

We believe that an industry supported mapping exercise of CFI taxonomies to the well-defined FX ISDA taxonomies is required in order to identify any inconsistencies and to ensure accurateness.

25. Do you agree with the rule used to derive the Issuer for those products listed? If not, please explain your reasoning.

We support the response provided by ISDA.

We appreciate the opportunity to share our views on this subject. Please do not hesitate to contact Andrew Harvey on +44 (0) 203 828 2694, email aharvey@gfma.org, or Fiona Willis on +44 (0) 203 828 2739, email fwillis@gfma.org should you wish to discuss any of the above.

Yours faithfully



James Kemp
Managing Director
Global Foreign Exchange Division, GFMA