Frankfurt am Main,
5 March 2021

BVI`s position on the DSB Consultation Paper on the Principles Underlying the Fee Model for the Unique Product Identifier Service

We[1] welcome the work started by the DSB to design, deploy and operate an efficient UPI service that leverage the capabilities of the existing services (e.g. CFI and OTC-ISIN requirements) to the extent practicable. The implementation of the UPI service will enable all market participants (e.g. fund management companies) and global authorities to perform further (global) data aggregation and to monitor exposure to, or positions in various groupings of (OTC) derivative products according to the G20 commitments.

We strongly support the UPI Governance criteria's that the UPI data standard should not be subject to any intellectual property restrictions and that the usage of any UPI Code is free of licensing restrictions, especially also in the trading and clearing chain when the database is not published.

Fund management companies will generally - as it is the case today with the OTC-ISIN - not create a UPI code and will therefore rely on the DSB UPI service to search for and/or download the UPI reference data record required for the relevant investment funds (UCITS/AIF). Most of the UPI codes will be created by the sell-side or other data providers as it is currently the case for the OTC-ISIN (please see p. 8 on the consultation document).

In this context, we would like to stress the operational needs of the buyside that the UPI code should be provided by the DSB in machine-readable download files for free to all registered users at the end of the day.

We would like to make the following specific comments:

Q1 – User Estimates

Question 1a: Do you concur with the UPI user connectivity assumptions set out below?

Question 1b: If not, what specific alternate approach do you recommend? Please provide a clear rationale and cite publicly available sources for any additional data points you believe should be incorporated into the DSB's assumptions.

Generally, we agree with the connectivity assumptions. Fund management companies will principally be part of the legal entities which will connect free of cost to the DSB UPI service.

Q2 - Forecast User Interaction with the DSB

[1] BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset Managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 112 members manage assets more than 3.6 trillion euros for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.

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Question 2: Do you concur with the anticipated workflows presented below?

Question 2b: If not, what specific alternate approach do you recommend? Please provide a clear and objective rationale for each alternate approach you recommend.

We agree with the anticipated workflows. These leave all market participants (e.g. fund management companies) enough flexibility to choose their preferred access channels. We support also the possibility to access only the UPI code on a stand-alone basis meaning that UPI users should have equitable terms and conditions which should not be bundled with other DSB services (e.g. CFI, FISN, OTC ISIN). Furthermore, the DSB should also take into consideration that UPI users (e.g. fund management companies) could obtain the UPI code directly from their trading counterparties (e.g. broker/dealer) without accessing the DSB service.

In the context of the EMIR reporting obligation, the reporting entities (e.g. fund management companies) depend strongly on the future validation rules and information provided by the trade repositories in respect to the UPI. Therefore, it could be possible that the trade repositories access the DSB UPI services in order to verify if the transmitted UPI by the reporting entities is valid or not. Currently, it is not clear which service the trade repositories will provide to the reporting entities in respect to the UPI.

Q3 – User Access

Question 3a: Do you concur with the proposal presented, which seeks to leverage the core approach utilized for the existing service, and which has been endorsed by industry through several rounds of consultation?

Question 3b: If not, what specific alternate approach do you recommend? Please provide a clear and objective rationale for each alternate approach you recommend.

We welcome the proposal by the DSB to leverage the capabilities of the existing access services (e.g. CFI and OTC-ISIN requirements) to the extent practicable. UPI users should access the UPI service on a programmatic basis, via a web front end, and via a file download service with records available in a machine-readable format. This will give all market participants (e.g. fund management companies) enough flexibility to choose their preferred access channels.

Q4 - Registered User File Download Timing

Question 4: Do you agree that the DSB should provide access to the UPI end of day data files with a two day time-delay in order to ensure a fair distribution of cost across users?

No, we strongly disagree. As the DSB will leverage the processes and functionality of its existing systems and services and as the UPI contains also data attributes of the OTC-ISIN (and vice versa) we do not see the necessity to provide free access to the daily download files with a delay of two days. Furthermore, as the daily creation number of new UPIs will be substantially less than the daily volume of new OTC-ISINs, we believe that incremental costs to produce the UPI service should be allocated to the existing paying stakeholders (e.g. sell-side and data vendors). Such market participants have strong commercial interests to promote newly and innovative (OTC) derivative contracts (e.g. ESG related products) to the buy-side firms. On top, the relevant data vendors charge already today ever-increasing financial market data costs to the fund management companies.[2] **Therefore, we strongly encourage the DSB to provide the UPI code in machine-readable download files for free to all registered users (e.g. fund management companies) at the end of the day.**

Q5 – UPI Cost Allocation Methodology

Question 5: Do you agree with the DSB's proposed cost allocation policy for the DSB's costs?

We agree with the cost allocation policy.

Q6 – Duration of UPI User Agreement

Question 6: Do you agree with the DSB's proposal for a short duration User Agreement for UPI users in 2022 that ends on 31 December 2022, followed by annual contracts that cover a full Gregorian calendar year?

Yes, we agree.

Q7 – Invoicing Approach

Question 7: Do you agree with the DSB's approach to invoicing users for its services?

We agree.

Q8 – Capital Expenditure Amortisation Approach

Question 8: Do you agree with the DSB's approach to amortisation of its capital expenditure over 4 years, starting from the first full year when the service benefits from the capital expenditure?

We have no comments.

Q9 – Any other comments

We have no additional comments.

[2] Please see the following position: https://www.bvi.de/fileadmin/user_upload/20210106_BVI-position_FCA_cons.pdf