

BVI comments on the EU Commission consultation on OTC derivatives identifying reference data for the purpose of public transparency

We¹ generally welcome the Delegated Act (DA) proposal by the EU Commission to use the OTC ISIN as an ISO-identifier for the purpose of the MiFIR transparency requirements. Since 2002, the BVI has advocated for automation in the financial market based on ISO standards, in particular the use of ISO identification numbers. BVI was instrumental in the EU's regulatory decision on the production of the OTC ISIN through the (newly) created ANNA-DSB in 2016 and for ensuring that use of the identifier in reporting is offered in as cost effective a manner as possible.

We would like to make the following comments:

- **Credit Default Swaps (CDS)**

With respect to the CDS recommendation, we assume that there will be no changes made to the existing definitions of these products and therefore embrace the proposal.

- **Interest Rate Swaps (IRS)**

When considering changes to the definition of the Interest Rate Swaps, we note that the fields 1–14 are already part of the existing OTC ISIN definition and therefore support their inclusion in the DA. We also advise that field 15 of the IRS proposal is an ISO 4914 (UPI) standard and this field is also part of the OTC ISIN and therefore involves no change to the OTC ISIN. Since no change is expected in this regard, we support this proposal.

With respect to the revised definition of date/term attributes (fields 16 – 18), we agree with the proposal to remove the Expiry Date since; by eliminating the daily rolling of the OTC ISIN for IRS products, a more stable OTC identifier is made available to the market participants. The restriction of Term of Contract to whole year terms will result in a single OTC ISIN being assigned to all broken dated contracts but with each benchmark swap having its own unique ISIN. This approach to reduce the number of ISINs but only for broken dated swaps is acceptable to us in the interests of a compromise.

We further welcome the EC's proposal to distinguish between spot starting swaps and forward starting swaps. The EU Commission proposes to do this via the introduction of a Forward Term Indicator. However, we would like to propose that the Forward Term Indicator should be replaced with an attribute that supports the definition of whole year forward terms. Therefore, it would be possible to distinguish between the standardised 5Y 5Y Forward and a broken dated forward starting contract. Such a distinction is important to our members.

We acknowledge that the additional (stable) attributes (fields 19 – 32) are helpful to define precisely the swap being traded. However, our members trade generally IRSs with normal market conventions and

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 115 members manage assets of some EUR 4 trillion 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.



therefore population of these values will likely be problematic because they may not be stored in the asset manager IT systems. Therefore, we support the addition of these attributes only if the DSB will provide default values for these attributes based on market convention, so that these values do not need to be provided by market participants who trade on standard terms.

- **Alignment of transaction reporting with MiFIR and EMIR**

We strongly agree that the same OTC ISIN should apply across transparency, MiFIR transaction reporting and EMIR. Using the same OTC ISIN implementation will reduce the cost of regulatory compliance to our members.
