

Commissioner Jonathan Hill  
Berlaymont  
Rue de la Loi 200  
Brussels, 1040  
Belgium

**Date: 14 March 2016**

Dear Commissioner Hill

**RE: Use of ISIN as an instrument identifier for OTC derivatives under MiFIR/D II**

The undersigned associations strongly support the use of ISIN as an instrument identifier for OTC derivatives under MiFIR/D II.

Whilst we are fully cognisant of the issues raised by certain market participants; we are concerned about the misperceptions being perpetuated in the current debate about the ISIN. Below, we highlight some of the misperceptions regarding the ISO 6166:2013 (the "Standard") and our reasons as to why these concerns are not founded:

1. *The Standard does not provide for ISINs to be assigned to OTC derivatives*

Whilst it is true that OTC derivatives are not listed in Annex A of the ISO 6166:2013 standard, this claim ignores the future proofing provision in Annex A which explicitly allows ISIN allocation for "other assets", being any type of financial instrument not otherwise listed in the Annex, including OTC derivatives.

2. *The Standard allows only National Numbering Agencies to assign ISINs*

The standard determines that ISIN assignment will be the responsibility of the Registration Authority (the "RA") and the Association of National Numbering Agencies (the "ANNA") having been appointed to that role, but it does not in fact place any such restriction on how the RA fulfils that responsibility. Note that National Numbering Agencies are mentioned only once in ISO 6166:2013 and that is only in the introduction section, which is informative and not normative.

3. *The Standard demands that the prefix be a country code (or "XS" in the case of instruments issued through an ICSD), which would not be appropriate for OTC derivatives*

In fact, the Standard allows for "other prefixes." More to the point, the Standard permits that the designated prefix for "other assets" is at the "discretion of the requester", which allows for flexibility to use any desired prefix for OTC derivatives.

4. *The Standard does not allow assignment of ISINs at multiple levels of granularity*

This is inaccurate. The scope provides for the identification of "fungible and non-fungible securities and financial instruments," thus allowing ISINs to be assigned to

buckets of instruments with similar characteristics and at different levels of granularity, as desired.

Turning to the ANNA guidelines, which determine the implementation of ISIN assignment, whilst it is true that these do not extend to OTC derivatives presently, this is because there has not been sufficient demand until now. Additionally, the Standard in fact *requires* the RA "to continuously adapt the ISIN guidelines for allocation and registration of ISINs to meet the needs of the market." This is rather instructive as the Standard obliges ANNA to extend those guidelines in an appropriate way to address the newly emerged market need to assign ISINs to OTC derivatives.

To this end, an ISO Study Group has been formed and tasked to assist ANNA in creating a more formalised framework to address the assignment process for OTC derivatives, which may be done separately from the current process by one or more agencies that are not necessarily National Numbering Agencies.

The ISO is ready and willing to do what is required to extend the scope of ISIN to cover OTC derivatives. It is of vital importance that the wider industry is not mandated to use proprietary standards promulgated by the derivatives industry. Against the backdrop of managing systemic risk in the derivatives market, the use of a proprietary standard raises corporate governance concerns.

In summary, we strongly support the use of ISIN as an instrument identifier for OTC derivatives as it is indeed fit for purpose, whilst recognising that a different approach in its implementation may be required.

Yours sincerely,

**BVI**  
**DUFAS**  
**The Investment Association**  
**VÖIG**