



EUROPEAN CENTRAL BANK

EUROSYSTEM

Data model – summary of the WS discussion

ECB-UNRESTRICTED



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Introduction

- Outcome of the DIMCG 4th meeting on 27 January: Data models / data exchange protocols identified as a potential area of harmonization in issuance
- In light of lack of adoption of existing data protocols in the area of issuance a broad consensus among DIMCG members that this area deserves deeper investigation
- Outcome of the DIMCG survey also confirms pain points due to low levels of IT integration and STP with media breaks and lack of common golden source for data throughout the issuance process
- The topic of open data standards is made relevant also by recent uptake in the number of third party vendors offering platforms covering (parts of) the issuance value chain

Potential benefits of data exchange / models harmonisation

Quote from ICMA PMC curriculum material:

- *The principal benefits of modern technology allow market practitioners the ability to do what they have always done, but with greater efficiency, accuracy and transparency.*
- *The new issue market uses a number of highly iterative, sequential and manual tasks. With technology, some of these processes can be digitized or automated, allowing market participants to spend time on higher value tasks.*
- *Examples include:*
 - o *Minimizing the need for salesperson to re-key order information into the order book dashboard*
 - o *Ensuring adherence to regulations, such as allocations*
 - o *The ability to extract better quality data, in turn allowing better analyse and monetization*
 - o *Reduced need for manual phone calls to reconcile the order book*
 - o *Gives syndicate a better read on market demand through live, synchronized data*
 - o *Systems are better integrated, negating the need to double-key or upload data*
 - o *Reduces transaction risk by reducing execution time*

Potential benefits of data exchange / models harmonisation

There are two primary ways (not exclusive) to achieve digitalization



Use of common (third party) platforms / utilities

Use of open data exchange standards

e.g.

DirectBooks

ING MARKETS



Ipreo IssueNet Fixed Income

Bloomberg



FIX PROTOCOL
INDUSTRY-DRIVEN MESSAGING STANDARD™



The need for data exchange harmonisation

- The recent uptake in the number of third party tools / platforms is a sign of the broader industry wishing to move to digital procedures in fixed income issuance
- Without a common data language / use of open data standards these platforms will compete for the market instead of in the market
- Recent market initiatives seem to exist for common data elements, naming conventions and / or representation of data in debt issuance (e.g. GLML, Origin's Airbrush, etc.)
- ICMA provides standards that represent broad industry agreement, are relevant and could be built on (e.g. pro forma final terms in ICMA Primary Market Handbook)

The need for data exchange harmonisation

- No reinventing the wheel – build on existing initiatives and ensure consistency with existing data standards
- A balance needs to be found in harmonizing / standardizing data models and the freedom and flexibility of parties to communicate and agree on economic terms of transactions
- Three areas identified by workstream participants where data harmonization / common data language could be most beneficial:
 - a. Term sheets / final terms – representing economic data in term sheets
 - b. Book building / allocation
 - c. Documentation / representing legal documents in machine readable formats

- Data in the term sheet travels through the issuance value chain and is enriched / amended with the final characteristics of the transaction after pricing by the finalization / closing phase to construct the final terms
- Nearly all stakeholders to the issuance process uses data from the term sheet / final terms at some point of the process
- Data harmonization of term sheets / final terms need to rely on a common dictionary / language that stakeholders agree on (set, name and allowed values of data elements)
- There are on-going initiatives to create such common data model / library upon which the work can build on (ICMA work, emerging Fintech solutions)
- Clear link to the DIMCG term sheet harmonization workstream

Book building / allocation

- This phase relies on fast exchange of structured data between investors, dealers / managers and issuers and is most commonly a target for digitalization by third party platforms
- A significant evolution since the '90s from paper – through Excel sheets – to proprietary apps / third party platforms
- Lower number and different data elements required than for term sheets but shorter time windows / fast processing requires STP
- The key pain points here are manual data handling / cleaning and investor identification – also covered by existing DIMCG workstreams
- Further input / verification needed from stakeholders (issuers / dealers / investors)

Representing legal documents in machine readable format

- A third potential area for common data models
- Pain points are confirmed by DIMCG survey and other industry feedback
- ICMA provides standard language for the key / most important legal documents
- Legal content may also vary according to the jurisdiction / chosen law of issuance
- Standard versioning could also contribute to greater efficiency
- Recent initiatives exist in the field to cater for machine readability and efficient data exchange (e.g. GLML consortium formed by leading international law firms)

Recap / next steps

- The discussion confirmed a broad consensus among participants that open data exchange standards should be relied on in the issuance process to facilitate STP and achieve higher efficiency
- This is also consistent with the outcome of the DIMCG survey
- The three areas in which data harmonization could be most beneficial are
 - Term sheet – final terms
 - Book building
 - Legal documentation
- Strong links and overlaps identified with other workstreams (term sheet harmonization, investor id)

Next steps:

- Verify findings with DIMCG
- Future DIMCG discussions should rely on existing standards / initiatives in this field – need to map these and take this forward on that basis