

## **Comments related to the Systematic Review of ISO 6166**

### **Germany:**

ISO 6166 should be revised in respect of the explicit regulation of the corresponding Intellectual Property Rights (IPRs). We see no need for technical revision at this time, as the ISIN is being applied on the international level without any problems.

### **Switzerland:**

Role of the ISIN in the Swiss Financial Market:

In the Swiss Securities Market, the 'Schweizer Valorennummer' is the national standard and is still used in many of the Swiss banking systems to identify securities. However the ISIN plays a more and more important role for most of the domestic and cross border transactions to support the strong need of electronic communication and straight through processing with national and international business partners and financial infrastructures, in the space of trading, clearing & settlement and asset servicing.

Reason for recommended action 'revise/amend':

The ISIN has conceptual weaknesses regarding the composition of the number. The use of national numbers as ISIN basic number leads to a lack of independency/anonymity of the ISIN number. National numbering agencies can attempt to claim property rights on the usage of its identifiers in the financial market. Therefore the composition of ISIN must be revised not to incorporate any national securities numbers.

### **UK:**

It is recommended that wording is added to the standard to confirm that this standard is to be freely available and users are not subject to license fees by any of the issuers. The only fees that could be collected are to cover costs incurred and not to generate a profit.

### **USA**

Additional information provided for question 3:

The US has adopted ISO 6166 and uses the ISIN as a securities identifier used for cross-border clearing and settlement. The CUSIP is used for domestic US securities clearing and settlement. The US does not have a proposal to adopt ISO 6166 as its national securities numbering standard and is in the process of updating the national securities identification standard.

Comments and Proposed Issues for Revision:

#### **1. New Issue Types**

Are there any new issue types that are not properly reflected by the current ISIN standard as written?

For example, currently mutual funds is under Units as a type of issue within the Equities category. We suggest that the working group consider classifying mutual funds as a separate category with types of issues to be determined.

In addition, we suggest a new category of Alternative Investments be considered with types of issues such as hedge funds, REITs, commodity pools, etc.

#### **2. Standardization of ISIN Assignment for Hybrid Securities**

There is confusion globally on hybrid debt/equity securities over the past few years. There appears to be no standard approach to ISIN assignment for these securities. Different methodologies (the equity model and the bond model) exist and are used for these securities in ISIN assignment. There are cases where the bond model is used to derive the ISIN, and other cases where that same type of hybrid is assigned an "equity" ISIN. Should the ISIN standard remain as is or is it worth making updates to the standard going forward for new securities only?

This has been a topic of discussion at the past few ISO SC4 meetings.

#### **3. ISIN Allocation Rules**

The source of much confusion regarding ISO 6166 remains the distinction between debt and equity ISIN allocation rules. We propose that if the rules governing debt ISIN assignments mirrored the rules of equity ISIN assignment, i.e. domicile (country of incorporation) of the issuer dictates the "assigning numbering agency", the ISIN allocation process would be significantly simplified.

Moreover, the effort to identify the lead manager &/or the central securities depository (CSD) on a pre-trade basis - when the majority of ISIN assignments take place in North America - would be eliminated. The result would be a more coherent standard that could be articulated to industry participants far more easily.

Further, the ISIN allocation rules for global bonds, for example, those that settle at DTC and Euroclear/Clearstream need to be clarified regarding who is the authorized assignee.

#### 4. Absence of Local Number

The working group should consider detailing in the standard how an ISIN will be assigned in the absence of a local number.

#### 5. ISIN Assignment Timeliness and Quality

Some markets have divided the ISIN responsibility for debt versus equity assignment among two or more local numbering organizations, leading to timing or dissemination problems. The USA recommends that greater emphasis on meeting market requirements (including timeliness and quality of ISIN assignments) should be imbedded within ISO 6166 itself, or at least the accompanying guidelines.

#### 6. Reference Correction

Clause 6 references annex N of the ISO Directives and the proper reference to the ISO Directives should be annex H.