



EUROPEAN CENTRAL BANK

EUROSYSTEM

# ISIN allocation process

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Outcome of workshop  
discussion

ECB-UNRESTRICTED

9<sup>th</sup> meeting of the Debt Issuance Market Contact Group  
16 July 2021

# Introduction

- In the DIMCG survey on Pillar 1 and in preceding interactions the process of ISIN allocation was raised as a potential target for harmonisation
- A dedicated discussion was held with volunteering DIMCG members with the aim to explore where the issues are and which elements of ISIN allocation may be relevant for harmonisation

# ISIN – definition and global framework

- ISIN codes are issued by **National Numbering Agencies (NNA)** in accordance with **ISO 6166 ISIN standard**, for which the **Association of National Numbering Agencies (ANNA)** acts as the registration authority
- ANNA publishes **ISIN Uniform Guidelines** relating to **ISO 6166** describing
  - The structure of the ISIN codes
    - two alphabetic characters, which are often the **ISO 3166-1 alpha-2 code for the issuing country** (but can also be other special codes)
    - nine alpha-numeric digits (national sec. number can be used but not mandatory),
    - and one numeric check digit
  - Which organisations are allowed to allocate ISIN codes to debt instruments
    - **Model 1**: For some markets in Europe the NNA is not the CSD. E.g. this is the model in Germany relevant for DE and EU pre-fixes
    - **Model 2**: In the most common model in Europe (one of the) CSDs of the country act as NNA

# ISIN – global assignment rules (ISIN standard – ISO 6166)

“ISINs shall be assigned in a timely manner in order to meet the market needs”

*“In order to ensure the unique identification of the financial and referential instruments, the originator shall submit an application for allocation of an ISIN together with **comprehensive documentation, i.e. relevant legal documents (e.g. prospectus, legal offering document, regulatory notification, term sheet)**. Where no legal documents are available, descriptive data elements shall be provided by the originator for derivative products with the alpha-2 country code prefix, referential instruments and others, including such additional information as may be requested. For the allocation of ISINs to derivative products with the EZ or ZZ prefix, templates of the required information shall be defined in the ISIN guidelines maintained by or on behalf of the RA.”*

*“Adequate due diligence and KYC checks shall be undertaken by the responsible NNA in order to verify both the issuer and requestor/originator as well as the financial instrument details, on a best endeavours basis.*

*Relevant supporting material shall be requested or obtained by the NNA to verify the details of the issuer and requestor/originator and the financial instrument attributes. Supporting material may include, but is not limited to:*

- *Business/company incorporation documents*
- *Prospectus, legal offering document, term sheets, contract specifications etc.*
- *...*

*Additional information may be requested as required by the NNA processing the request.”*

- In a syndicated debt issuance transactions ISINs are normally requested by the issuer (or its agent) or the lead manager immediately **after or very close to the launch decision** (i.e. on T or one or two days after but well before closing)
- For CSDs which act as NNA the ISIN allocation is normally **an integral part of the full new issue workflow**
- Many NNAs agree to **pre-reserve (ranges of) ISINs** for frequent issuers / issuers using programmes – in this case the ISIN is readily available for allocation for the issuer / agent
- Some respondents to the DIMCG survey and the 2019 ECB public consultation highlighted that ISIN allocation is one of the bottlenecks to a faster / more efficient closing of issuance transactions (either due to the set of required documents or due to a long processing time)

# ISIN allocation – challenges in the technical process

- **Manual process** – strong links to preparing / managing key issuance documents (term sheet, prospectus, etc) - recent Fintech initiatives targeting documentation and ISIN allocation popping up in cooperation with certain NNAs offering very fast ISIN allocation (leveraging also on streamlined documentation process)
- **The practices** applied by NNAs (e.g. deadlines, processing times, required documents, due diligences and checks, etc.) **are not harmonised** across Europe and are heavily influenced by local regulatory requirements and market practice
- **Point in time at which ISINs are assigned in the issuance process** – trade off between NNAs' need for due diligence / making sure transaction is valid and legally sound vs issuers need to identify transactions as early as possible in the issuance process
- **Pre-reservation vs allocation vs dissemination**: most NNAs offer pre-reserving ISINs which speeds up allocation for frequent issuers / issuers using programmes – pre-reservation is not equivalent to allocation. Dissemination by issuer / issuer agent to other stakeholders of the issuance process can also be a bottleneck
- **Timely processing of ISIN requests by NNAs**: this can vary, no evidence the NNA processing times would be an issue

# ISIN allocation – where could harmonisation help

- ISIN is a global standard with global (high-level) guidelines and coordination among NNAs
- Harmonisation in Europe could help by potentially putting forward recommended best practices to European NNAs on the ISIN allocation process
- Such best practices could cover (inter alia):
  - A common set of principles as to when an ISIN can / should be requested and allocated during the issuance process,
  - Recommended timeline (maximum processing times) for processing ISIN requests
  - A common set / list of documents and data elements that are required for ISIN allocation, possibly including the recommendation to allocate ISINs based on draft / preliminary documentation
  - Procedures / safeguards in case an ISIN is allocated to a transaction which does not result in the issuance / creation of a valid security or in case an ISIN is requested on the basis of draft documents
  - A recommendation to make pre-reserved ISINs or ranges of ISINs available to frequent issuers



# ISIN allocation – could centralization help?

- Current NNA structure in Europe reflects a notion of separate national markets / jurisdictions
- Recent example of creating global numbering agency for OTC derivatives (ANNA DSB) suggests that a per jurisdiction split in numbering may not necessarily be needed
- The move towards a common (optional) European numbering scheme with potentially a single European numbering agency could be another way to achieve harmonisation of processes
- However,
  - Not clear what value this would add in the technical process of ISIN allocation if it only covers Europe
  - Might potentially increase fragmentation over the shorter time by introducing yet another numbering regime
  - While not necessarily resolving all outstanding questions (harmonisation across NNAs may still be needed)