



EUROPEAN CENTRAL BANK

EUROSYSTEM

ISIN allocation

harmonisation aspects

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Introduction

- In the DIMCG survey on Pillar 1 and in preceding interactions the area of ISIN allocation was raised as a potential target for harmonisation
- The aim of this discussion is to explore which elements of ISIN allocation may be relevant for a harmonization discussion within the DIMCG
- A more detailed discussion and analysis can be made on the basis of this first DIMCG discussion

ISIN – definition and global framework

- ISIN codes are issued by **National Numbering Agencies (NNA)** recognised by the **Association of National Numbering Agencies (ANNA)** in accordance with **ISO 6166 ISIN standard**, for which ANNA also acts as the registration authority
- ANNA publishes **ISIN Uniform Guidelines** relating to **ISO 6166** describing the structure of the ISIN codes and which organizations are allowed to allocate ISIN codes to which securities
- **As per ISO 6166**, ISINs consist of:
 - two alphabetic characters, which are the **ISO 3166-1 alpha-2 code for the issuing country**,
 - nine alpha-numeric digits (the National Securities Identifying Number, or NSIN, which identifies the security),
 - and one numeric check digit

ISIN – who are NNAs?

- According to ISO6166 rules for debt instruments normally the ISIN is issued by the NNA of the country of the issuer CSD, and the ISIN takes the pre-fix for the country of issuance accordingly
- Also for non-country code prefixes (e.g. XS, EU) ANNA clearly assigns which single entity is eligible to issue ISINs with the give pre-fix

Two basic cases in Europe:

- **Model 1 (NNA not the issuer CSD)**

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 (NNA is the issuer CSD)**

In the most common model in Europe (one of the) CSDs of the country act as NNA. E.g. this is the model in France where the Euroclear France acts as NNA for the FR prefix

“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 agent immediately after or very close to the launch decision (i.e. on T or one or two days after but well before closing)
- The practices and requirements by NNAs (e.g. deadlines, what documents are required, etc.) are not harmonised across Europe
- 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-allocate (ranges of) ISINs for frequent issuers / issuers using programmes – in this case the ISIN is readily available for the issuer / agent no need to request it

- The ISIN pre-fix is widely used among investors as proxy to legal location / governing law / place of listing of securities (even if this is not fully correct) – i.e. the ISIN pre-fix seems to matter and play into investor decisions
- Some stakeholders highlighted that ISIN allocation is one of the bottlenecks to a faster / more efficient closing of issuance transactions
 - either due to set of required documents or
 - general processing of allocation requests
- Others have indicated (perceived) lack of clarity of requirements in relation to access to certain ISIN pre-fixes

ISIN allocations – questions for discussion

- Is ISIN allocation a pain point with regards to the issuance process? If yes, is it also a pain point for frequent issuers or only for infrequent issuers?
- If ISIN allocation is a bottleneck why is it so, is it the set of documents required or is it the process itself?
- Are the different allocation practices / requirements by NNAs in Europe an issue?
- Does investor preference for certain pre-fixes play into issuer's decision on where to issue?