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Request for Proposals:

OTC Equity Derivative Cash Flow Matching

Issue date: November 12<sup>th</sup>, 2009

1. Purpose

This Request For Proposals (RFP) seeks proposals for the provision of an electronic Cashflow Matching Platform for all cashflows relating to Equity OTC Derivative trade types; allowing cashflows to be submitted, matched and affirmed pre-value date and netted. In addition there is the requirement for a provision to allow Central Settlement of these cashflows.

The Equity OTC Derivatives industry has a commitment to have the facility for pre-value date electronic affirmation of cashflows prior to the end of 2010 with indicative firm build dates Q1/Q2 and UAT Q2/Q3.

The RFP seeks to invite proposals from service providers on a proposed form of Cashflow Matching Platform which should seek to cover, at a minimum, the features described in section 2 below.

Proposals need to be made in accordance with this RFP and submitted to ISDA by not later than 5.00pm London time on Friday 20th November 2009.

## 2. Overview of Services to be provided

This RFP covers responsibilities of a service provider for the provision of an electronic Cashflow Matching Platform.

At minimum respondents should demonstrate their capability to:

Enable electronic pre-value date affirmation of cashflows on paired trades between participants

Provide exception and escalation management functionality and reporting to participants for unmatched trade and cashflows

Facilitate both bi-lateral and Central settlement netting capability

Enable participation via electronic messaging, spreadsheet upload and direct interaction

Demonstrate existing and future dependencies on external inputs and outputs

For any future dependencies identified clearly demonstrate how these will be managed to deliver the solution in a timely manner

### 2.1. Scope

#### 2.1.1. Products

This RFP covers the commitment made to regulators in the October 31, 2008 letter to develop the target architecture for Cashflow Affirmation; electronic pre-value date affirmation of settlements

In Scope:

- All non-cleared Equity OTC trades independent of full electronic confirmation matching.

Out of scope:

- Exchange give-ups and Exchange Traded Derivatives.

#### 2.1.2 Participants

The use of the electronic platform to pre-affirm cashflows should be considered industry best practise, and non signatories to the letter are encouraged to adhere within sixty days from compliance by the signatories to the June 2, 2009 letter to the Regulators.

ISDA will facilitate the process of selecting the service provider and defining the terms of service, the principal contractual and financial relationships will be between the service provider and the participants. ISDA will not be a party to such principal contractual and financial relationship.

## **2.2. Functionality**

### **2.2.1. Cashflow Matching Functionality**

- ▶ Electronic pre-value date affirmation of cashflows on paired trades between participants
- ▶ Exception and escalation management functionality and reporting to participants for unmatched trade and cashflows
- ▶ Enable participation via electronic messaging, spreadsheet upload and direct interaction

### **2.2.2. Bi-lateral and Central Settlement Netting Functionality and capability to facilitate Central Settlement**

### **2.2.3. External Data Service(s) & Service Provider(s)**

Where the solution requires external data sources to be provided (e.g. matched trade pairings), or the solution requires formally partnering with an additional service provider (e.g. cash settlement), please provide the following information:

- ▶ External data or services required
- ▶ Intended provider of those services
- ▶ Status of discussions with the service provider(s) including any agreements in principle already reached
- ▶ Steps required in order to sign formal agreements with the service provider(s)

## **2.3 Solution Timing and Priorities**

A key requirement for the solution is rapid implementation. The ability to meet the proposed timelines will be a key consideration in the evaluation. The service provider must present a plan that will allow for any necessary internal development by participants and adoption of the service to be complete in 2010.

## **3. RFP Process**

This section outlines the RFP process, describing how to respond to the RFP, and how the responses will be evaluated.

### **3.1. Format of Response**

RFP responses must follow the format described in the RFP Response Template set forth at the end of this document.

The Response Template includes a detailed list of requirements that must be addressed. Each requirement should be addressed in a section whose number corresponds to the number in the Response Template. If additional sections are required, e.g. to provide more details, they must be added under the relevant subsection so as to preserve the numbering system.

### **3.2 Vendor Questions**

Questions in respect of the RFP should be submitted in writing, including via email to Clive Ansell at ISDA, [cansell@isda.org](mailto:cansell@isda.org), copying Claire Freer, [cfreer@isda.org](mailto:cfreer@isda.org). ISDA will respond by email and subsequently publish answers on the ISDA Website under [committees/operations/latest news](#).

### **3.3 RFP Submission**

Responses must be submitted in electronic form by Friday, 20 November, 2009 at 5:00pm London time to Clive Ansell at ISDA, [cansell@isda.org](mailto:cansell@isda.org), copying Claire Freer, [cfreer@isda.org](mailto:cfreer@isda.org).

### **3.4 Evaluation**

The process for the evaluation of responses will be facilitated by ISDA.

The RFP responses will be evaluated by the Equity Steering Committee that consists of senior business people in the Equity Derivative Market on both buy and sell side, and the co chairs of the Equity Implementation Group and, as necessary, the Equity Architecture Working Group.

The respondents must be prepared to present their proposal to the committee in the form of a presentation not lasting longer than 45 minutes, during week commencing 23 November, 2009, or shortly thereafter, that will be scheduled between noon and 5:00 p.m. London Time<sup>1</sup>

The decision on the selected service provider is expected by no later than 30 November, 2009.

### **3.5 Basis of the provider selection decision**

The selection of the service provider will be binding and conclusive and will be made at the discretion of the Equity Steering Committee.

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<sup>1</sup> Presentation may be scheduled in multiple locations depending on primary location of vendors, in which case Video Conference facilities will be made available.

**Exhibit A: RFP Response Template**

RFP Respondants must complete the template set forth on the following pages.

## **1. Executive Summary**

Summarise key aspects of the service, such as:

- ▶ Service provider
- ▶ Functionality provided
- ▶ Delivery schedule
- ▶ External Data Service(s) & Service Provider(s)
- ▶ Cost
- ▶ Business arrangements

The Executive Summary should be limited to 1 page.

## 2. Service Provider Profile

This section provides information about the service provider's organization to assist in assessing its capabilities for addressing the Trade Reporting Repository requirements.

### 2.1. Organisational and Financial Information

#### 2.1.1 Legal Name, Ownership, Governance Structure, Domicile

Identify the legal entity that will be providing the services.

Define the legal entity's ownership structure, governance structure (if different) and declare all affiliates. Give details of relevant jurisdictions of incorporation etc.

State if the entity is regulated and if so under which regulatory regime

#### 2.1.2. Years in Operation

List when established.

#### 2.1.3. Employees

Provide information about the number, and positions of employees.

#### 2.1.4. Clients

Provide information about the number and types of clients.

#### 2.1.5. Financial Metrics

If publicly held, provide the latest available audited financial statements. If privately held, provide information about revenue and capitalization.

## 2.2. Key Staff

Identify and provide a brief summary of skills and experience for the individuals filling the following positions:

- ▶ CEO/MD - overall business manager of the service provider organization that will lead the response.
- ▶ Other key executive management - where relevant, identify other key executives important to the response.
- ▶ Engagement manager - identify the person who will act as the overall manager of the relationship and of the engagement
- ▶ Operations lead - identify the individual who will be responsible for operating the solution and delivering client service.
- ▶ FpML lead – identify the individual who will be responsible for the FpML connectivity and architecture.
- ▶ Other staff - if there are other specific individuals important to evaluating the RFP response, please identify them.

### **2.3. Experience and Skills**

Summarize the organization's experience and skills in areas relevant to the RFP:

#### **2.3.1. Equity OTC Derivatives marketplace**

Describe the organization's background in supporting the Equity OTC Derivatives marketplace, including in particular services related cashflow matching.

#### **2.3.2. Inter-firm communications**

Describe the organization's background in supporting communications about financial transaction between financial industry participants. In particular, identify services that have been provided and the number and types of clients for which these services have been provided.

#### **2.3.3. Settlement and Cash Management**

Describe the organization's background in the settlement and cash management of OTC Derivative transactions between financial industry participants. In particular, identify services that have been provided; the products and number and types of clients for which these services have been provided.

#### **2.3.3 Inter-firm electronic communications**

Describe the organization's background in supporting the FpML® (Financial products Markup Language) in electronic communication and processing derivatives.

### **3. Proposed Service Overview**

Provide a qualitative overview of the product to be provided, as an aid for evaluators in understanding the proposed solution.

#### ***3.1. High Level Architecture***

Specify how the solution will be deployed globally across regions, and across different user communities. Describe the overall architecture, covering points such as:

#### ***3.2. Description of Key Functionality***

Summarize the functionality that will be delivered, with a view to aiding understandability. Please do not repeat the detailed information provided in subsequent sections. Instead, please discuss topics such as:

- ▶ How the supplied functionality relates to previous or current offerings
- ▶ Particular strengths or differentiators of the offering

#### ***3.3. Phasing/Timing***

Provide information on the timing of the solution.

Plan should include detail on individual stages of the build out, including time for participant UAT and any other pre-go live activities. It should also include a production release deadline, to be set to fall some time in advance of the overall 2010 regulatory deadline.

## 4. Functionality

Please describe in detail how each of the requirements outlined in the Functionality section 2.2 of the main document will be met.

### Cashflow Matching Functionality

- ▶ Electronic pre-value date affirmation of cashflows on paired trades between participants
- ▶ Exception and escalation management functionality and reporting to participants for unmatched trade and cashflows
- ▶ Enable participation via electronic messaging, spreadsheet upload and direct interaction

### Bi-lateral and Central Settlement Netting Functionality and capability to facilitate Central Settlement

#### External Data Service(s) & Service Provider(s)

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## **5. Technology and Operations**

### **5.1. Technical Architecture**

#### **5.1.1. Overall Description of Architecture**

Briefly describe the overall technical architecture used by the service provider.

#### **5.1.2. Client Technical Requirements**

List the client user interface requirements (operating systems, browser versions, memory/cpu requirements, etc.), client technologies used (e.g. HTML, JavaScript, ActiveX, XML, etc.)

#### **5.1.3. Data Submission and Receipt Technology**

Describe the technical requirements for clients to submit and receive data to and from service (operating system constraints, network requirements, middleware requirements, security requirements, software tools and versions, etc.)

#### **5.1.4. Server Infrastructure**

Briefly describe the central server technology infrastructure (OS, hardware type, DBMS, application/web server technology, programming language(s), hosting/firewall architecture, use of clustering or high-availability features, etc.

Please include the metrics you will use to determine system speed and system availability. What Service Level Agreement (SLA) standards would you propose?

Will the system be hosted by you or another firm? What is the server infrastructure or desktop requirements of the users?

Please include any details of your Business Continuity Plan that would be applicable to the service

### **5.2. FpML Requirements**

#### **5.2.1. Scope**

Describe the FpML message types and products that will be supported by the service provider. If the FpML messaging framework will not be used, please describe whether a proprietary messaging or another existing messaging standard will be used instead. Examples of current equity FpML schemas can be provided upon request.

#### **5.2.2. Version Support**

List the FpML versions that will be supported by the service provider.

## **5.3. Capacity Requirements**

### **5.3.1. Technology Limitations**

Describe any technological or architecture considerations in connection with your approach that would prevent these requirements from being met.

### **5.3.2. Technology Platform and Scaling**

Which technology platform (OS, DBMS, messaging middleware, application server, etc) will be used to meet the requirements set forth above? How will this platform be scaled if additional capacity is required?

### **5.3.3. Testing Methodology**

How do you propose to test/demonstrate that the performance requirements can be met?

## **5.4. Connectivity**

Describe connectivity technologies/options that will be provided, such as:

- FTP
- HTTP file upload/download
- Web services
- MQ messaging
- Proprietary connectivity technologies

For each supported connectivity option, please identify the supported software versions, operating systems, etc.

## **5.5. Security**

### **5.5.1. Access control**

Describe the mechanisms that will be used to secure the following:

- Online user access to a GUI if provided
- Bulk/message data submission to the central server.
- Please describe in your response how Chinese Wall type controls would be supported to segregate types of information and ensure confidentiality

## **5.6. Data Retention**

### **5.6.1. Longevity**

Describe current data record retention standards used.

### **5.6.2. Retrieval Speed**

Describe current access conditions if known.

## **5.7. Expandability**

Describe how the internal technology architecture is arranged to facilitate functional requirements evolution. What types of changes are anticipated and how has the system been architected to simplify these kinds of changes? How will Change Requests be dealt with? Will costs in respect of these be capped?

**5.8. Client/User Support**

Describe the support mechanisms that will be provided, such as:

- User support team constitution and support hours.
- Minimum number of development hours post go-live.
- Support mechanisms that will be provided, e.g.
  - Telephone
  - Email
  - Chat or other web-based real-time support
  - Other
- Service level commitments
- Problem tracking processes and procedures
- Issue escalation levels and procedure.

## 6. Business Issues

### 6.1. Contractual and Regulatory Relationships

- Do you have any limitations in the types of entities that you can contract with and/or provide service to?
  - ▶ Industry organizations (ISDA)
  - ▶ Major banks/dealers
  - ▶ End users of derivatives
    - Traditional asset managers
    - Alternative investment managers
  - ▶ Industry non-profit utilities
  - ▶ Industry for-profit utilities
- Do you have any constraints in the number of entities that you can contract with?
- Do you have any specific obligations or restrictions regarding Regulators?
- To what extent will your solution rely upon inputs from 3rd party providers who are not responding to this RFP, and who will not be privy to the eventual contractual arrangements?
- Please detail any cross-equity or legal holdings you may have with any potential participants in the system.

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- Please detail any cross-equity or legal holdings you may have with any potential participants in the system.

### 6.2. Legal Framework

- What type of legal agreement/framework would you recommend using?
- Provide an example contract/agreement if possible. If different agreements would be used for different types of participants, please provide an example of each type.
- Describe what undertakings will be made in such agreements to ensure to the satisfaction of users of the service that that transaction data will only be capable of being accessed or used by employees of the Trade Reporting Repository itself (as distinct from any parent company or affiliate), and that under no circumstances may any transaction data be sold to another party by either the service provider itself or any affiliate.

### 6.3. Liability and indemnity

- Provide proposed contractual indemnity provisions if any.
- Provide details of any software licensing requirements.
- Please provide details of any Business Continuity Planning for your proposed solution.

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## **6.4. Cost/Revenue Model**

Provide indicative pricing for the service.

How would the service be paid for?

- a) Would there be any one-time fixed charges per participating institution?
- b) Would there be any recurring/periodic charges/subscription fees per institution?
- c) Would there be any per-transaction service fees?

If there are several possible charging models that you can envisage, please list each possible model together with a recommendation or preferred approach. If you need to make additional assumptions to ISDA International Swaps and Derivatives Association, Inc. please provide all inputs for your charging model (e.g. the number of messages required per transaction), please document those assumptions.

## **6.5. Time to deliver solution**

ISDA requires service provider readiness in advance of the regulatory deadline of 2010.

Provide details on your ability to be ready on the above date.