

ISDA Operations Committee

Process Working Group

Sound Practices and Escalation Procedures

Purpose

The following matrix contains (1) a set of target interbank confirmation turnaround times and (2) suggested times for escalating documentation issues between institutions. Compliance with this matrix is voluntary.

The suggested targets are intended to be a 'best efforts' documentation protocol and not to be legally binding on any institution. It is not the intention of the Committee to establish mechanical 'one size fits all' standards that ignore differences among firms and situations. In striving to improve confirmation times, firms will make risk-based choices between adhering to target timeframes and the need in certain cases to take additional time for further negotiation or to obtain enhanced credit. But the Committee believes that the industry will benefit by tightening confirmation times and escalation procedures, and therefore hopes the following will raise the bar for industry practice.

Affirmation Timing Matrix

The ISDA Process working group recommends the following inter-bank confirmation process targets. The targets are based on business days post Trade Date of a transaction (unless otherwise stated). Their scope is intended to apply to vanilla flow business in OTC Derivatives which is automated or semi-automated. These timeframes would not be appropriate for trades handled on an exception processing basis, for example structured or individually negotiated transactions, where a market-standard method of confirmation does not exist, where the confirmation method is highly manual, or where legal negotiation of language needs to take place.

- ❖ Paper based confirmations should be matched / agreed (executed) by T+20.
- ❖ Parties chase non -receipt of confirmations on T+5.
- ❖ Parties respond to confirmation discrepancies by T+10.
- ❖ All outstanding mismatched confirmations become critical on T+15. These issues should be escalated to the Counterparts management for resolution before T+20.
- ❖ Targets differ for electronic based confirmation matching processes such as SWIFT and FpML.

For paper based confirmations (timeframes stated in business and calendar days post Trade Date)

| Event | Execution expectation | Non-Receipt response | Mismatch response | Critical Escalation point |
|--|--------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Matching / signing turnaround time (New, Assigned, Terminated, Amended trade) (No. of days post 'T') | 20 business days 30 calendar days | 5 business days 7 calendar days | 10 business days 14 calendar days | 15 business days 25 calendar days |

For electronic based confirmations (timeframes stated in business days post Trade Date)

| Event | Execution expectation | Non-Receipt response | Mismatch response | Critical Escalation point |
|--------------|------------------------------|-----------------------------|--------------------------|----------------------------------|
|--------------|------------------------------|-----------------------------|--------------------------|----------------------------------|

| | | | | |
|--|---|---|---|---|
| Matching / signing turnaround time (No. of business days post T) | 1 | 2 | 3 | 5 |
|--|---|---|---|---|

Communication

Regular bilateral communication is an important part of being able to reach the targets detailed.

Though banks may be able to dispatch the bulk of their vanilla confirmations by T+2 one of the main reasons for delay in Execution is that the confirmation may not reach the correct people at the receiving organisation.

Chasing all non-receipts on T+5 may serve to highlight incorrect static data record of fax numbers.

In addition, weekly or monthly meetings between banks and the counterparts with which they have greatest volume will serve to highlight issues that are creating mismatches as well as, hopefully, potential solutions.

Institutions should exchange contact information of those who will act as their institution's contact / co-ordinator of such meetings.

It is recommended that these contact names also look into setting up internal 'alias email addresses' to be used for mismatch advice and escalation and that this data is also recorded on the contact matrix. Such addresses will direct chaser emails to the appropriate personnel, overcoming the problem of losing track of the correct personnel names.