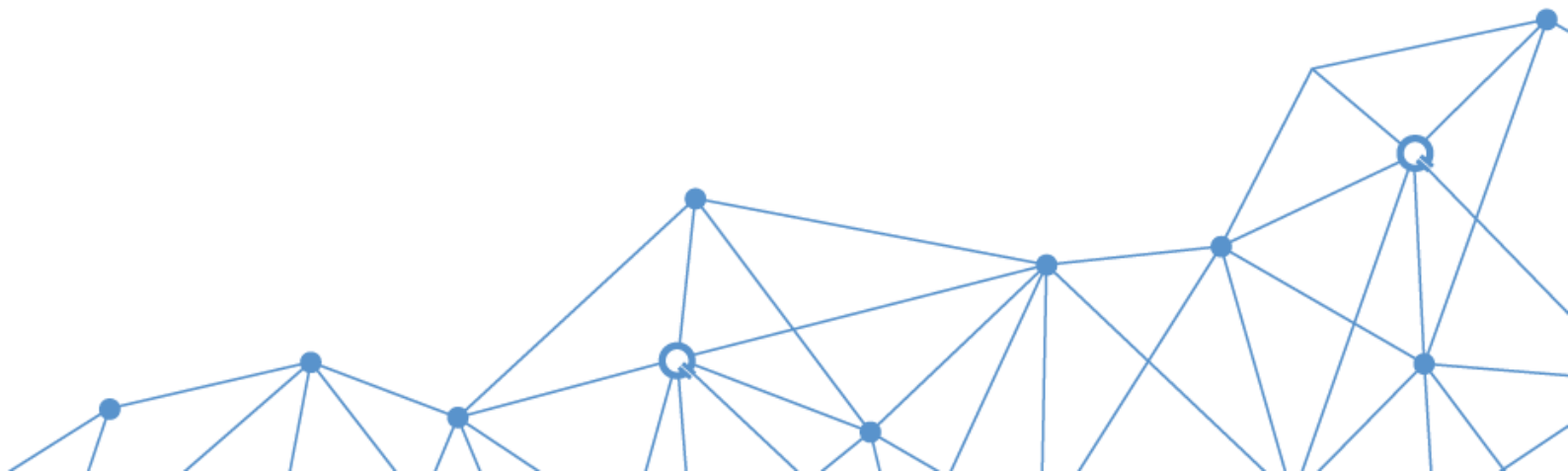


Implementation Interviews: Participant Recommendations

From the interviews we conducted, there were several actions and activities that were consistently raised and commented on that each organisation should consider as part of their project plans. At the same time, this does recognise that the challenge for each organisation will be different, depending on a wide variety of characteristics e.g. organisation type, operating model, client base, trade types and trade volumes etc.



Global Governance

Project should be global and include all desks that trade Interest Rate products and ensure that there is appropriate expertise for regional variants (i.e., Weather provisions)

- Establish a 2021 IRD Definitions project with clear objectives and with an appropriate structure in place including a project sponsor, a project board, a dedicated IRD Definitions Steering Committee and relevant working groups where necessary. Assign a project manager, create a project plan and a process for the management and resolution of actions and issues that will arise throughout the project lifecycle and initiate a central PMO (project management office) to track, measure, maintain and report on project status
- Assign and outline clear roles and responsibilities and identify single points of accountability inclusive of decision making
- Identify and assign someone to interact and be a primary point of contact with ISDA on behalf of the institution
- Look to explore and identify opportunities, potential overlaps, and dependencies with other projects already in flight, e.g., IBOR Cessation Project

F2B Stakeholder Mapping

Requires engagement from, and coordination with, Front Office, Risk, Legal, Middle Office, Operations, Technology and Change Management

- Identify key stakeholders and assign clear accountability from all areas impacted. Agree a set of project deliverables and set business level requirements that are agreed by all stakeholders
- Identify and comprehensively classify where and how interest rate products are traded within the institution, i.e., by region, entity and by individual product and business lines and ensure that all have adequate and appropriate coverage
- Ensure all functions, upstream and downstream, which are impacted by interest rate derivative definitions are identified and accounted for, including all hedging products. All impacts should be analyzed, categorized, and prioritized accordingly



Initial Resource Estimation | Securing Resources

Understand dependencies and overlaps with in-flight projects (such as IBOR) and the associated impact to subject matter expert availability and ensure provisions are made even in the absence of specific requirements

- Planning - create a resource plan which identifies, sources, organizes, and ultimately manages the resources required to conduct and complete the project successfully
- Funding – ensure and align resource requirements to a fully funded budget. If resources are not immediately available put in place contingency measures. This could include sourcing resources externally
- Where possible, leverage the existing IBOR structure program of work (RFRs, Fallbacks, Floating Rate Matrix etc.)
- Timing – create a plan which allocates resources efficiently, taking into consideration milestones (internal and external), project assumptions and recognizes dependencies on technical resources, system time and external interdependences. Make sure to schedule IT development and implementation time with adequate lead time



Complete Processing Scenarios

Impact analysis needs to consider all processing scenarios related to electronic and manual execution, cleared, and not cleared trades, electronic or bilateral affirmation / confirmation and factor in the various trade lifecycle events such as amendments, swaption exercises, and contractual provisions such as fallbacks and payment and calculation provisions

- Ensure that the processing scenarios take into consideration and cover:
 - o All impacted business lines (in addition to the Rates business, include other business units that may use IRD Products e.g., Structured Notes, FX, Prime Brokerage etc.
 - o All impacted departments including FO, MO, BO, IT, Risk etc.
 - o All impacted functions, including trading, legal, operational, and technical
 - o All processes, procedures, and roles
- Put in place a framework to conduct and conclude the impact analysis ('IA') on the various processing scenarios, including:
 - o Preparation and resourcing i.e., identify and/or create the team(s) that will conduct the IA and define its scope and objectives
 - o Conduct a full front-to-back mapping exercise
 - o Complete a full analysis of the information gathered and reviewed
 - o Report & Recommendations: Consolidate and report the IA findings, which should include feedback from all departments and functions, and provide recommendations, taking into consideration the changes occurring
- Look to conduct a 2006 IRD v 2021 IRD Definitions gap analysis and prepare for the scenario of 'duality' i.e., trading on and supporting dual interest rate definitions



Analysis Themes

Creating a common framework to capture changes or issues related to operational, external connectivity, economic, documentation, systems or client topics helps ensure completeness and drive prioritization

- Create a project methodology framework to act upon the IA based on the processing scenarios already identified
- Create a mechanism (e.g., structured working groups) for cross functional groups and teams to come together, including the creation of consistent
 - o Communication methods
 - o Tools and templates
 - o Single repository for all project documents
- Analysis themes should include
 - o Best Practices for the different teams and cross functional groups involved (identify which teams would need to be involved)
 - o Consistent methods to allow groups to work through anomalies and issues and to be able to capture and monitor them in a consistent way, thus ensuring full coverage, no omissions and evidence of completeness.
 - E.g., This could take the form of a created baseline report, an actions and transaction report and a final completion report
- Create a Traceability matrix highlighting the changes. This could include leveraging anything that ISDA might create in conjunction with the changes.



Procedures / Playbook

Defining procedures for day 1 that may include some manual workarounds initially to ensure consistency and including appropriate controls to guide new processes. Should consider impacts to regulatory reporting and timely confirmations obligations

- In the first instance, do not expect everyone in the market to be ready on day one. There will be duality and a staggered approach to market implementation. Be ready for it.
- Ensure that all processing scenarios have been covered and that responses to them have been put in place across the organization
- Ensure that all scenarios have been researched, analyzed, understood, documented, and applied. Be particularly vigilant with regards to manual processes
- Pay close attention to associated impacted areas and functions e.g., look to impacts on compliance and regulatory reporting requirements
- Look toward and consider your organization's Operational Risk Appetite and consider techniques for monitoring and managing risk during the transitional period e.g. tolerance & threshold management techniques

Client Engagement

Engage with clients to ensure that they are planning accordingly to avoid complexity and, where appropriate, track adoption

- Ensure your organisations customer relationship management program and process is aware of the changes involved and has an approach in place to comprehensively cover client engagement with regards to it going forward
- Ensure ongoing interaction between your organization and your customers
- Consider an 'Outreach' program inclusive of education on the 2021 ISDA Definitions and the key changes within it
- Point clients towards ISDA – its working groups, education program, documentation, and website

FMI and Service Providers

Engaging with service providers and FMIs early to ensure that there is clarity on implications for existing integration and connectivity

- Ensure early and ongoing interaction between your organization, your service providers, and the financial market infrastructure your organization inhabits
- Consider not just your own internal technical requirements and timelines but also those of your financial infrastructure partners. Ensure that you are synchronised in terms of testing requirements, timelines, and environments to test all 2021 IRD Definition changes and releases.
- Be particularly attentive of messaging and format changes generated by the 2021 Definition introduction e.g., changes to FpML schemas.
- Understand the approaches of the various CCPs (Central Counterparties) to the 2021 Definitions and be aware of their treatment with regards to the fungibility of deals conducted under 2006/2021 Definitions i.e., will they be accommodating of both versions and how will they treat them
- Engage directly in any service provider working groups which cover technical and/or operational procedure changes. Engage to understand what is changing, how they are changing and how they will affect your organisation. Be mindful of timelines, testing requirements, readiness, and any bespoke challenges your organisation might encounter.



Internal Training

Internal education and training to ensure that new processes and controls are adopted effectively

- Ensure there is a program of education within your organization in regard to the 2021 IRD Definitions. Make sure that it covers all individuals, departments and functional areas that are impacted. Construct internal training and education programs on a scale commensurate to the impact. From very detailed and expert led training to, at the very least, an all-round awareness of the changes involved
- Create internal working groups to communicate to and update colleagues. Internal consumers of the new data must understand and be aware of the changes. For example, there will be areas and individuals who will both consume and publish data that requires management, monitoring and co-ordination e.g., Compliance and Regulatory Reporting functions