ISDA®

Request for Proposals:

Interest Rate Derivatives Trade Repository

Issue date: March 14th, 2011

A. EXECUTIVE SUMMARY

Overview

This RFP is being issued by the ISDA Rates Steering Committee ("the RSC"). The RSC consists of senior business people in the Rates Market on both buy and sell side.

Members of the RSC wish to commence a selection process to identify a suitable service provider to:

- Undertake a scoping phase to agree the detailed functionality of a trade or swap data repository (the "trade repository" or "SDR") with both members and regulators; and

- Implement a solution by end Q3 2011. A phased build-out may be acceptable but interested parties should note that any phasing would need to be agreed in the context of the proposed legislation and in conjunction with the appropriate regulators.

Section B of this document sets out a high level service specification for a trade repository. This has been formulated based on the following documents:

- The CFTC's proposed rules on swap data repositories[1]:
    - Swap data recordkeeping and reporting requirements (17 CFR Part 45)
    - Real-time reporting of swap transaction data (17 CFR Part 43)
    - Swap data repositories (17 CFR Part 49)

      - The above three proposed rules are herein collectively referred to as the "CFTC proposed rules".

- The proposed European regulations covering trade repositories (and subsequent compromise texts):
    - Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (commonly known as EMIR)[2]
    - Review of the Markets in Financial Instruments Directive (MiFID)[3]

- OTC Derivatives Regulators Forum functionality outline[4]

Interested parties should review the proposed requirements set out in these documents in preparing their responses to this RFP.

Please note that whilst ISDA will facilitate the process, the decision to select a provider will be made by the RSC. The principal contractual and financial relationships entered into will be between the service provider and any participants that wish to utilise the trade repository services. The RSC will not be a party to such principal contractual and financial relationships.

Process

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[1] http://www.cftc.gov/LawRegulation/DoddFrankAct/Dodd-FrankProposedRules/index.htm
[2] http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20100915_proposal_en.pdf
[3] http://ec.europa.eu/internal_market/consultations/docs/2010/mifid/consultation_paper_en.pdf
[4] http://www.otcdrf.org/list/otcdrf_documents/index.htm

Interested parties are requested to submit proposals that address the requirements in section B and follow the response template in section C. The template includes a detailed list of questions that must be addressed and vendors are requested to submit responses that follow the numbering pattern of this section.

Should parties have any questions on this RFP, they should be submitted in writing by 18 March 2011 to ISDA to: RatesRFP@isda.org. ISDA will respond by email and subsequently publish all questions and the corresponding answers on the ISDA website, under Committees, Operations, Latest News. Interested parties are asked to register their interest to ensure they receive updates directly by sending details of company name, primary contact name, postal address, telephone, fax and email address details to: RatesRFP@isda.org

Proposals must be submitted in electronic format by no later than 1 April 2011 at 5pm London time to RatesRFP@isda.org. Following submission the RSC will select a shortlist of vendors who will be invited to make a presentation that provides an overview of the proposed solution and to address detailed questions. Presentations will be held in London during the week commencing 18 April 2011. Specific dates and times will be notified in due course.

Proposals will be reviewed by a sub-group of the RSC, which consists of senior business people and representatives within the Interest Rates market on both the buy and sell side. This group will make a recommendation to the RSC who shall select a provider at their discretion. Following this, members may seek to conclude contractual negotiations with the selected vendor, the basis of which shall be the proposal submitted as part of this process.

B. HIGH LEVEL SERVICE SPECIFICATION

Members of the RSC wish to select a suitable service provider to establish a trade repository to:

- Record all Interest Rate Trades and
- make available information for both regulatory and public reporting purposes.

Given that the final regulations are yet to be determined, interested parties are asked to note that as part of any proposals, flexibility to react to regulatory requirements, as they may arise, will be required. Parties may also be required to revise or re-submit proposals based on requirements captured in the final regulations.

The high level requirements of the trade repository are set out below. They have been based on the documents set out in Section A and, in particular, with regard to the CFTC documents. In responding to Section C, interested parties should familiarise themselves with these documents in order to inform their understanding of the requirements of a trade repository and their capability to meet those requirements.

Scope and functionality

i) The service should provide for a global, centralised, registered repository that captures and maintains an electronic database of cleared and non-cleared interest rate derivative transactions.

ii) The repository should accept transaction data for transactions in the interest rate derivative asset (collectively referred to herein as "swaps" for ease and consistency with the CFTC proposed rules).

iii) The repository should be capable of:

    a. Receiving initial swap creation data in the manner and form contemplated by the CFTC documents from relevant reporting parties, including trade counterparties, exchanges and execution facilities and clearing organisations.
    b. Confirming accuracy of such data with both counterparties.
    c. Receiving and managing swap continuation data and valuation data by way of daily snapshot update reporting and / or by life cycle event updating for each trade.
    d. Outputting data to a variety of venues in a variety of formats.

Technology

i) The repository should be capable of implementation with limited or no systematic development / investment by participants utilising electronic messaging infrastructure. Flexibility is critical; providers should provide non-proprietary industry standardised formats of importing the information.

ii) The repository must be capable of dealing with significant volume from multiple sources, and dealing with data in multiple formats.

iii) The repository should be able to consume unique product and transaction identifiers from relevant reporting parties, including trade counterparties, exchanges and execution facilities and clearing organisations. Where unique product and transaction identifiers are not provided the repository should be able to assign such data as required, notifying relevant parties as appropriate.

iv) The trade repository should have an ability to vary engagement with different sources and outputs over time (including other trade repositories) as the trade repository develops and additional features and functionality are required by the industry.

v) The trade repository should use existing messaging protocols to communicate trade and position data electronically. Existing standards for messaging protocols outside the trade repository should be adhered to in order to avoid customised and proprietary implementation.

Data access / regulatory interface

i) The trade repository should be able to deal with two separate streams of data (whether conceptually or physically) for (i) regulatory access and (ii) real-time reporting, ensuring safeguards to protect against dissemination of unauthorised information.

ii) It should provide real-time access for regulators in addition to periodic and ad hoc reporting of both trade related data and position data.

iii) It must establish appropriate permissioning systems in order to control access to data.

iv) Provide for real-time reporting of transaction data, with systems to establish delays as appropriate and to calculate relevant minimum block sizes.

v) It should potentially aggregate position data by entity and product and counterparty for the purposes of position reporting to regulators.

vi) It should provide appropriate access to parties who submit transactions into the repository for the purposes of data reconciliation.

Data resilience and disaster recovery

i) The trade repository should provide a robust and resilient service with adequate back-up and business continuity provision.

ii) It should provide a high level of information security given the sensitive and confidential nature of any stored data.

iii) It should exhibit a high level of system integrity for processing and dissemination of data.

Governance

i) The selected vendor will be required to set up appropriate governance structures to comply with regulatory requirements.

Costs and fees

i) The trade repository should provide non-discriminatory and transparent pricing structures that minimise the costs to all potential participants that will be required to report to the trade repository.

Timing

i) Any selected vendor will be required to meet the timescales as set out by the CFTC and, subsequently, by ESMA in Europe and any other jurisdictions in which the trade repository will be registered. A phased approach may be proposed but a selected vendor would need to ensure that the necessary internal development and first phase of build-out is completed by the end of [Q3 2011]. Please note that any phasing discussions will need to be discussed in collaboration with regulators.

C. KEY DISCUSSION ITEMS

General guidance

- *Where necessary, please provide supplemental information in your response under the relevant section.*

- *Where an entity is intended to be established for the purposes of providing the services e.g. a joint-venture company or a locally incorporated subsidiary of an existing organisation, please provide information on the structure and services to be provided by that entity. However, where relevant, information should also be provided on any parent entities, for example, where this relates to expertise, experience or knowledge that will be relied upon in future operations.*

1. Executive Summary

Please summarise key aspects of the service, such as:

1.1. service provider

1.2. functionality provided

1.3. delivery schedule

1.4. cost

1.5. business arrangements

1.6. dependencies the service provider sees as important for implementation of the trade repository

The Executive Summary should be limited to 2 pages.

2. Service Provider Profile

2.1. Organisational and Financial Information

    2.1.1. Legal Name, Ownership, Domicile

- Identify the legal entity or entities that will be providing the services, giving details of relevant jurisdictions of incorporation.

- Summarise those legal entities' ownership structures and declare all affiliates and give details of relevant jurisdictions of incorporation etc.

- Confirm that the entity or entities to be providing the services will register for the relevant registrations and authorisations under the appropriate regulatory regimes.

    2.1.2. Years in operation

- List when established, or if proposed to be established then the equivalent information for the parent company or companies.

    2.1.3. Organisation structure, governance and employees

- Provide information about structure of the organisation, including number of employees and position.

- Provide information on the corporate governance structure, relevant bodies or committees and their roles, and any key processes that it has or intends to put in place to ensure high standards of governance.

- Provide details of the processes and procedures put in place to minimise any conflicts of interests that might arise.

    2.1.4. Clients

- Provide information about the number, types of clients and typical services provided.

    2.1.5. Financial Metrics

- Provide the latest available audited financial statements or equivalent.

2.2. Key staff

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

    2.2.1. CEO/MD - overall business manager of the service provider organisation that will lead the response.

    2.2.2. Other key executive management - where relevant, identify other key executives important to the response.

2.2.3. Engagement manager - identify the person who will act as the overall manager of the relationship and of the PMO

2.2.4. Operations lead - identify the individual who will be responsible for operating the PMO and delivering client service.

2.2.5. Regulatory lead / chief compliance officer – identify the individual who will be responsible for maintaining compliance with regulatory requirements.

2.2.6. Messaging lead – identify the individual who will be responsible for the messaging connectivity and architecture.

2.2.7. Other staff - if there are other specific individuals important to evaluating the RFP response, please identify them.

2.3. Experience and Skills

 Summarise the organisation's experience and skills in the following areas:

2.3.1. Interest Rates marketplace

Describe the organisation's background in supporting the interest rate derivatives marketplace, including in particular services related to trade repositories and reporting.

2.3.2. Inter-firm communications

Describe the organisation's background in supporting communications about financial transactions between financial and non-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. Inter-firm electronic communications

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

2.3.4. Trade processing, matching and / or settlement.

Describe the organisation's background in supporting trade processing, matching and / or settlement of interest rate derivative transactions, identifying the services provided and the number and types of clients for whom these services have been provided.

3. Solution overview

3.1. Please provide a detailed overview of how you intend to meet the requirements for a trade repository as set out in section B of this document and as proposed under the CFTC proposed rules.

The description should cover the architecture, functionality and services that will be delivered. The following sections (section 4 onwards) seek responses to specific questions on the solution.

Please ensure that your response includes the following:

- The intended architecture, functionality, product and participant coverage

- How the offering relates to any existing services provided by the vendor

- The differences between functionality of existing / available offerings and what might finally be proposed

- Key issues in rolling out the additional functionality

- Key dependencies in rolling out the offering

- Particular strengths or differentiators of the offering

- A summary of the key risks to the implementation of the trade repository

- Your view on the regulations and what their implementation will mean for the industry

Scope and functionality

3.2. Data Input and Retrieval

3.2.1. How will the service provider receive swap creation, continuation, confirmation and valuation data from reporting parties, and how does it intend to confirm the accuracy of such data?

3.2.2. Will the provider be able to accommodate the information fields set out in the CFTC documents?

3.2.3. How will the service provider upload non-electronically executed, verified or confirmed trade details in a manner that requires limited or no systematic development/investment by participants utilising electronic messaging infrastructure?

3.2.4. What process is proposed to ensure participants are able to correct or report any modification to the data held?

3.2.5. How will the updating of daily snapshot and valuation data occur? Is daily snapshot data the most appropriate method of updating trade details or should a life-cycle approach be used?

3.2.6. How will the service provider provide for engagement with different sources and outputs over time as the trade repository develops and additional features and functionality are required by the industry?

3.3. Participants and counterparties

3.3.1. How does the vendor intend to maximise the coverage of participants that are required to report into the trade repository?

3.3.2. How does the vendor intend to manage the client onboarding process for reporting of data into the repository? What static data maintenance requirements will there be and what dependency on external service providers.

3.4. Position reporting

3.4.1. Please describe how you would intend to deal with position reporting for regulatory purposes, both in terms of information retrieval, aggregation and dissemination.

3.4.2. Please describe how you would intend to deal with real-time public reporting, specifically in relation to the manner and form contemplated by the CFTC documents

3.5. Other

3.5.1. How will the service provide ensure flexible functionality of the reporting tool to allow for ad hoc data requests and for changes in content and functionality, as and when required by regulators or participants in the service?

3.5.2.   What dependencies will the service provider have on other vendors in order to meet the key aspects of the service?

4. Technology

4.1. Technical Architecture

4.1.1. Overall Description of Architecture

Describe the overall technical architecture used by the service provider. Please also discuss your existing technology capability and how this relates to the provision of trade repository services, in particular in respect of implementing a solution with minimum technological change / additional rollout for participants and in terms of ability to deal with the significant transaction volume and counterparty base that is applicable to interest rate derivatives.

4.1.2. 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.)

4.1.3. Data Submission Technology

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

4.1.4. 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.

4.2. FpML Requirements

4.2.1. 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.

- Will such messaging standards be used for submission and retrieval of the trade data?

- Will FpML (or other) position report data format be used?

4.2.2. Version Support

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

4.3. Capacity Requirements

4.3.1. Technology Limitations

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

4.3.2. 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?

4.3.3. Testing Methodology

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

4.4. 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.

4.5. Security

4.5.1. 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.

How will access be granted and revoked?

Describe the type of confidentiality controls that will be put in place to ensure that data cannot be retrieved by other firms.

4.6. Data Retention

4.6.1. Longevity

Please describe the proposed data record retention standards to be used.

4.6.2. Retrieval Speed

Describe current access conditions if known.

4.7. 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?

4.8. Client/User Support

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

- User support team constitution and support hours.

- Support mechanisms that will be provided, e.g.

    o Telephone

    o Email

    o Chat or other web-based real-time support

    o Other

- Service level commitments

- Problem tracking processes and procedures

- Issue escalation levels and procedure.

5. Data access / regulatory interface

5.1. Please describe how access to data would be provided to (i) regulators and (ii) market participants.

5.2. Please describe the data formats that will used for making data available to regulators?

5.3. Please describe how the different streams of reporting would work for regulatory and real-time purposes, including how data would be safeguarded to protect against dissemination of unauthorised information to the public or other participants?

5.4. Please describe how permissioning systems are intended to operate to ensure secure and appropriate access to data by properly authorised parties?

5.5. Please describe how any real-time data reporting is intended to be disseminated to the public.

5.6. Please describe how you intend to calculate minimum block trade sizes and how you will ensure that appropriate delays are implemented.

6. Data resilience and disaster recovery

6.1. Please describe what measures will be in place to ensure robust and resilient service.

6.2. Please describe the proposed business continuity provisions and data back-up measures.

6.3. Please describe how you intend to maintain a high level of system integrity for storage and dissemination of data.

7. Governance

7.1. Please provide an overview of the intended governance structure for the trade repository, detailing any relevant committees of boards and their make-up.

8. Costs and fees

8.1. Please provide indicative pricing for the service.

- Would there be any one-time fixed charges per participating institution?

- Would there be any recurring/periodic charges/subscription fees per institution?

- Would there be any per-transaction service fees?

- Would there be any rebate or discount structures

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 provide all inputs for your charging model (e.g. the number of messages required per transaction), please document those assumptions.

9. Timing

9.1. Provide information on the timing of the solution. Plan should include detail on individual stages of the planning and build out, including any proposed phasing, time for participant UAT and any other pre-go live activities.

10. Other

10.1.   Contractual Relationships

10.1.1. Do you have any limitations in the types of entities that you can contract with and/or provide service to?

- Industry organisations?

- Major banks/dealers?

- End users of derivatives?

    o Traditional asset managers?

    o Alternative investment managers?

    o Corporate entities?

- Industry non-profit utilities?

- Industry for-profit utilities?

10.1.2. Do you have any constraints in the number of entities that you can contract with?

10.2.   Legal Framework

10.2.1. What type of legal agreement/framework would you recommend using?

10.2.2. 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.

10.2.3. 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 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 clearing house itself or any affiliate.

10.3.   Liability and indemnity

10.3.1. Provide proposed contractual indemnity provisions if any.