Request for Proposals - Foreign Exchange Trade Repository

8 April 2011

A.   EXECUTIVE SUMMARY

Overview

This RFP is being issued by the Global Foreign Exchange Division (the "Division") of AFME, SIFMA and ASIFMA. The Division comprises 22 global FX market participants, collectively representing more than 85% of the FX market.

Members of the Division 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 "repository") with both members and regulators; and

- Implement a solution in line with regulatory timelines. 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]

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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

- The CPSS and IOSCO consultative report on Principles for Financial Market Infrastructures (10 March 2011)

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

Please note that whilst the Division will facilitate the process, the decision to select a provider will be made by the FX Division Board. 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 Division will not be a party to such principal contractual and financial relationships.

Process

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 close of business on 14 April 2011 to FXRFP@afme.eu. The Division will publish all questions and the corresponding answers on the AFME website at www.afme.eu under What We Do, Global FX. 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: FXRFP@afme.eu

Proposals must be submitted in electronic format by no later than 5pm London time on 6 May 2011 at to FXRFP@afme.eu. Following submission, a shortlist of vendors may be invited to make a presentation. Specific dates and times will be notified in due course.

The RFP responses shall be evaluated by members of the FX Division's Trade Repository Working Group, which consists of senior business people and representatives within the FX market on both the buy and sell side. This group will make a recommendation to the Global FX Division Board 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 Division wish to select a suitable service provider to establish a trade repository to:

- record foreign exchange trades, including forwards, non-deliverable forwards, swaps and options; 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 and ODRF guidelines. 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.

Strategic partnership

The RFP process is designed to identify a strategic partner for the FX industry to meet existing and future requirements. Accordingly, the industry wishes to appoint a partner that is capable of developing the reporting platform and its functionalities to mature and evolve with the market and the needs of the FX participants.

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 FX transactions. We note that third country recognition and equivalency requirements are not yet finalised under the proposed regulations; it may be necessary to have the repository located in different jurisdictions to comply fully and effectively with regulations.

ii) The repository should accept transaction data for transactions in the FX asset class covering forwards settling T+3 or greater (including non-deliverable forwards), swaps and options (collectively referred to herein as "swaps" for ease). **FX spot is excluded from the scope of the repository.**

iii) The repository should be capable of receiving and processing swap data in the manner and form contemplated by the CFTC documents from relevant reporting parties, including trade counterparties, exchanges and execution facilities, clearing organisations and third-party matching and confirmation platforms, where appropriate.

This should include confirming the accuracy of such data with both counterparties and 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.

iv) As part of the phasing (and for transactions not paired externally) the repository should develop the capability to match trades submitted under a dual-submitter model. The source of each trade side and the pairing method (if any) used should be specified in order to identify the level of quality of that transaction record.

v) The repository should be capable of 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 for importing this information.

ii) The repository must be capable of dealing with significant volume from multiple sources, and dealing with data in multiple formats. Our current understanding of the scope of the data reporting requirements is that all FX transactions with value date greater than T+2 will ultimately have to be reported (forwards, swaps, NDFs and options) with no minimum trade size. This could potentially deliver several million records per day to the trade repository and potentially billions of transactions to the trade archive.

iii) The repository should employ interfaces to accommodate a wide range of technological capability amongst direct participants and be capable of accommodating inter-operability with other utilities and infrastructure organisations, such as those managing the legal entity identification process.

iv) The repository should be able to consume unique swap, counterparty and product identifiers from relevant reporting parties. Where such identifiers are not provided the repository may be required to assign such data as required, notifying relevant parties as appropriate. In doing so it should understand and leverage current customer naming conventions and be capable of transforming such data into a common naming format.

v) The 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 repository should be able to deal with two separate streams of data (whether conceptually or physically) for (i) regulatory access and (ii) real-time public 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 should provide appropriate access to parties who submit transactions into the repository for the purposes of data reconciliation.

iv) It must establish appropriate permissioning systems in order to control access to and use of data. The submission of information to the trade repository will not provide any rights or licence to use such data over and above that which is required by regulation. Accordingly the commercial or business use of trade repository information will be prohibited and this requirement will form part of the contract with any successful vendor.

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

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

Data resilience and disaster recovery

i) Given the global nature of the FX market, the system needs to be available at least 24 / 6 to cover trading in all geographical zones.

ii) The repository should provide a robust and resilient service with adequate back-up and business continuity provision. There should be no downtime of the system i.e. requiring live-live set up.

iii) It should provide an appropriately high level of information security given the sensitive and confidential nature of any stored data.

iv) 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 and also to ensure appropriate oversight of the delivery of the functionality.

Costs and fees

i) The 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 repository.

Timing

i) Any selected vendor will be required to meet the timescales as set out by the CFTC and, subsequently, ESMA in Europe and any other jurisdictions in which the 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 in line with those regulatory requirements. Please note that any phasing discussions will need to be discussed in collaboration with regulators.

C. RESPONSE TEMPLATE

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. Key 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 department.
- 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. Foreign exchange marketplace

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

2.3.2. Inter-firm communications

Describe the organisation's background in supporting both electronic and non-electronic 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. Trade processing, matching and / or settlement.

Describe the organisation's background in supporting trade processing, matching and / or settlement of foreign exchange 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 repository as set out in section B of this document.

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

- To the extent necessary, how any requirement to have the repository located in multiple jurisdictions would be satisfied.

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

4. Scope and functionality

4.1. Data Input and Retrieval

4.1.1. Please describe how the repository will receive swap data from reporting parties in the formats set out in the regulations and how does it intend to confirm the accuracy of such data.

4.1.2. 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?

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

4.1.4. How does the repository suggest dealing with swap continuation data? Is daily snapshot data the most appropriate method of updating trade details or should a life-cycle approach be used?

4.1.5. Please describe how additional functionality, such as matching (for transactions not paired externally) to support a dual-submission model, might be developed, along with methods to identify the source of each trade side and the pairing method to be used.

4.2. Participants and counterparties

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

4.2.2. Please describe the data elements and organizational hierarchy(s) the repository will support

4.3. Position reporting

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

4.4. Other

4.4.1. How will the service provider 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?

4.4.2. What dependencies, if any, will the service provider have on other vendors in order to meet the key aspects of the service?

5. Technology

5.1. Technical Architecture

5.1.1. 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 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 FX.

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 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.)

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.

5.2. Messaging protocols

Describe supported communication standards and protocols and how you will address the need for a broad and diverse set of market participants to connect to the repository for mandatory reporting. FpML 5.1 should be a core part of the offering but providers should also ensure an ability to deal with other message formats.

5.3. Capacity Requirements

Our current understanding of the scope of the data reporting requirements is that all FX transactions with value date greater than T+2 will ultimately have to be reported (forwards, swaps, NDFs and options) with no minimum trade size. This could potentially deliver several million records per day to the trade repository and potentially billions of transactions to the trade archive.

5.3.1. Efficient management of large data sets

Please describe any techniques or procedures that will be deployed to manage the large amounts of data reported in to the data repository as it relates to outbound reporting to the regulatory bodies.

5.3.2. Technology Limitations

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

5.3.3. 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?

5.3.4. 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. Inter-operability

Please describe the measures that will be taken to ensure that the repository will employ interfaces to accommodate a wide range of technological capability amongst direct participants and be capable of accommodating inter-operability with other utilities and infrastructure organisations.

5.6. Identifiers

Please describe how the repository will deal with identifiers, particularly in the case where such identifiers may not be provided as part of the trade data.

5.7. Security

5.7.1. 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.

5.8. Data Retention

5.8.1. Longevity

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

5.8.2. Retrieval Speed

Describe current access conditions if known.

5.9. System flexibility for enhancements

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?

5.10.   Backloading

Describe how reporting parties will go about back loading trade data as may be required to be posted to the data repository.

5.11.   Client/User Support

5.11.1. 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.

6. Data access / regulatory interface

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

6.2. Please describe the data formats that will be used for making data available.

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

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

6.5. Please describe how any real-time data reporting will be disseminated to the public.

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

7. Data resilience and disaster recovery

7.1. Please describe the intended availability of the system.

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

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

7.4. Please describe how you intend to maintain system integrity for storage and dissemination of data.

7.5. Please describe the typical upgrade / data migration path in the instance where data elements are changed in the underlying data model.

8. Governance

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

8.2. Please provide an overview of the intended governance arrangements to ensure delivery of functionality.

9. Costs and fees

9.1. Please provide indicative pricing for the service.

- Will there be any one-time fixed charges per participating institution?
- Will there be any recurring/periodic charges/subscription fees per institution?

- Will there be any per-transaction service fees?
- Will 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.

10. Timing

10.1.   Please provide information on what you view to be the feasible timing of the solution. The 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.

11. Other

11.1.   Contractual Relationships

11.1.1. 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?

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

11.2.   Legal Framework

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

11.2.2. 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.

11.2.3. 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 repository itself or any affiliate.

11.3.   Liability and indemnity

11.3.1. Provide proposed contractual indemnity provisions if any.