

To: FX Global Trade Repository - Interested Parties

On behalf of its members, the Global FX Division (“GFXD”) of AFME, SIFMA and ASIFMA has made public the desire for the FX industry to implement a Trade Repository, in line with regulation under Dodd-Frank in the US and the proposed EMIR legislation in the EU.

Having received the recently released and extensive CFTC guidelines, the members have agreed on an approach to the RFP response process. The GFXD, now plans to release a Discussion Document and enter a consultation process with interested parties as a first phase, rather than request formal RFP responses at this time. Following the consultation, it is expected that a full RFP will be issued based upon which a selection process will take place to identify a partner.

Under this approach, the discussion document is hereby attached. This should be read in conjunction with the CFTC rules for:

- Real-time Public Reporting of Swap Transaction Data
- Swap Data Record Keeping and Reporting Requirements
- Swap Data Repositories

Links to these documents are contained in the attachment. Interested parties should also take note of the following EMIR and ODRF documents (and any updates/compromise texts)

- http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20100915_proposal_en.pdf
- http://www.otcdf.org/list/otcdf_documents/index.htm

The GFXD would like to invite your company to take part in a discussion session w/c 24th January 2011, times to be arranged. At this session we would like to hear from you with regard to:

- Scope and functionality and your current capability
- Technology
- Regulatory Interface
- Governance
- Potential cost models

We ask that you prepare a short presentation and discussion document for this session and leave time for a Q&A session. The session will last a maximum of 1.5 hours. Discussion materials should be submitted in advance, by the 19th January 2011.

Further details are set out in the attached document. Should you have any questions then please do contact me.

Kind regards
Matt

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GLOBAL FX DIVISION

Foreign Exchange Trade Repository – Discussion Document

A. INTRODUCTION

This document is being issued by the members of the Global Foreign Exchange Division (the “FX Division”) of AFME, SIFMA and ASIFMA. The FX Division comprises 21 global FX market participants, collectively representing more than 85% of the FX market.¹

Members of the FX Division wish to select a provider to work with in order to scope and implement a trade repository for the foreign exchange market. As a first phase of this process, FX Division members wish to invite interested parties to meet and have an initial discussion on some of the issues set out in this document.

Following this, the FX Division plans to release an RFP and commence a selection process to identify a partner to undertake:

- an initial scoping phase to agree the detailed functionality of the trade repository with both members and regulators; and
- an implementation phase to allow for a solution to be in place 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.

Please note that for this initial stage, detailed, formal responses are **not** required. Interested parties are asked to prepare a short presentation or similar materials (maximum 45 minutes) that set out initial thoughts on the areas highlighted in section C. The purpose of this is to facilitate a discussion and Q&A, rather than form the basis of any selection process. The meeting will last no longer than 1 ½ hours.

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

1. The CFTC’s proposed rules on swap data repositories:
 - a. Swap data recordkeeping and reporting requirements
<http://frwebgate3.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=f4V5cj/1/2/0&WAIAction=retrieve>

¹ Bank of America Merrill Lynch, Bank of New York Mellon, Barclays Capital, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Morgan Stanley, Nomura, RBC, RBS, Société Générale, Standard Chartered Bank, State Street, UBS, and Westpac

- b. Real-time reporting of swap transaction data
<http://frwebgate3.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=f4V5cJ/0/2/0&WAIAction=retrieve>
- c. Swap data repositories
http://www.cftc.gov/PressRoom/Events/opaevent_cftcdoddfrank111910.html

- a, b, and c are collectively referred to as the "CFTC proposed rules".

- 2. 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) http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20100915_proposal_en.pdf
- 3. OTC Derivatives Regulators Forum functionality outline:
http://www.otcdrf.org/list/otcdrf_documents/index.htm

Interested parties are asked to familiarise themselves with the proposed requirements set out in these documents in order to inform the discussion process and with a view to members of the FX Division understanding their capabilities and experience, and any initial thoughts on how these requirements might be met.

Interested parties are asked to confirm their interest in attending a discussion as soon as possible but in any event no later than 7 January 2011 to matt.lewis@afme.eu. The Division will then be in touch to confirm the time for the meeting, which is planned to take place during the week commencing 24 January 2011. Presentation materials should be submitted by 19 January 2011 to the same email address above.

B. HIGH LEVEL SERVICE SPECIFICATION

This Discussion Document sets out our initial thoughts on a trade reporting repository to:

- i) record foreign exchange trades, including forwards, non-deliverable forwards, swaps and options; and
- ii) make available information for both regulatory and public reporting purposes.

Given that detailed implementation of the various regulations are yet to be finally determined, interested parties are asked to note that as part of any future proposals, flexibility to react to regulatory requirements as these may arise will be required.

For the purposes of the initial discussion, highlighted requirements are set out below. Please note that these are not final. 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

- The service should provide for a global, centralised, registered repository that captures and maintains an electronic database of cleared and non-cleared FX transactions.
- The repository should accept transaction data for transactions in the FX asset class covering forwards (including non-deliverable forwards), swaps and options (collectively referred to herein as “swaps” for ease and consistency with the CFTC proposed rules).
- The repository should be capable of:
 - 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 (SEFs, in the terminology of the CFTC) and clearing organisations (DCOs).
 - Confirming accuracy of such data with both counterparties.
 - 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.
 - Outputting data to a variety of venues in a variety of formats.

Technology

- 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 consider multiple methods for importing this information.

- The repository must be capable of dealing with significant volume from multiple sources, and dealing with data in multiple formats.
- The repository should be able to assign unique product and transaction identifiers to each transaction, notifying relevant parties as appropriate. It should also understand and leverage current customer naming conventions.
- The repository should have an ability to vary engagement with different sources and outputs over time (including other trade repositories) as the repository develops and additional features and functionality are required by the industry.
- The repository should use existing messaging protocols to communicate trade and position data electronically.

Data access / regulatory interface

- 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 reporting, ensuring safeguards to protect against dissemination of unauthorised information.
- It should provide real-time access for regulators in addition to periodic and ad hoc reporting of both trade related data and position data.
- It must establish appropriate permissioning systems in order to control access to data.
- Provide for real-time reporting of transaction data, with systems to establish delays as appropriate and to calculate relevant minimum block sizes.
- 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

- The repository should provide a robust and resilient service with adequate back-up and business continuity provision.
- It should provide a high level of information security given the sensitive and confidential nature of any stored data.
- It should exhibit a high level of system integrity for processing and dissemination of data.

Governance

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

Costs and fees

- 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

- Any selected vendor will be required to meet the timescales as set out by the CFTC and, subsequently, by ESMA in Europe. 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

Please cover the following areas in your discussion documents. Please note that interested parties are not being asked to provide a detailed response on a solution for a trade repository. The material provided is intended to be used to facilitate discussion between interested parties and members of the FX Division.

The response may take the form of a presentation or other materials as appropriate. Please anticipate presentations lasting no longer than 45 minutes to allow at least a further 45 minutes for Q&A / discussion.

1. Scope, functionality and capability

1.1. Please provide, for discussion, your thoughts around what a proposed solution might look like. This should cover:

- High-level architecture, functionality, product and participant coverage
- How the offering relates to any existing services provided by the interested party
- The differences between functionality of existing / available offerings and what might finally be proposed
- Key issues in rolling out the additional functionality
- Particular strengths or differentiators of the offering
- A summary of the key risks to the implementation of the trade repository

1.2. Please summarise your organisations experience and skills in the foreign exchange market place including, in particular:

1.2.1. Services related to trade repositories and reporting;

1.2.2. Supporting communications about financial transactions; and

1.2.3. Trade processing, matching and / or settlement.

2. Technology

2.1. Please 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 FX.

3. Data access / regulatory interface

Please discuss how you would deal with information for both regulatory and real-time reporting purposes, with appropriate safeguards in place to ensure information is appropriately disseminated. In particular please discuss:

- 3.1. How data might be provided to (i) regulators (ii) market participants and (iii) for the purposes of real-time reporting, including appropriate delays in reporting
- 3.2. 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
- 3.3. How permissioning systems would work to ensure secure and appropriate access to data by properly authorised parties

4. Data resilience and disaster recovery

Please describe your thoughts around the following:

- 4.1. Measures to ensure a robust and resilient service
- 4.2. Required business continuity provisions and data back-up measures
- 4.3. How to achieve a high level of system integrity for storage and dissemination of data.

5. Governance

- 5.1. Please discuss your thoughts on an appropriate governance structure for the trade repository.

6. Costs and fees

- 6.1. Please discuss your thought around what types of cost models might be used to fund the trade repository. Would the repository work on a cost-plus basis / not for profit basis? How might the charging structure work: fixed / recurring / per-transaction charges?

7. Other

- 7.1. Timing – what are your thoughts around the proposed timing schedule and around phase-in of services?
- 7.2. Participants / counterparties – are there any envisaged reporting entities or institutions that you might be limited in dealing with?