

Implementation Plan for Unique Product Identifiers

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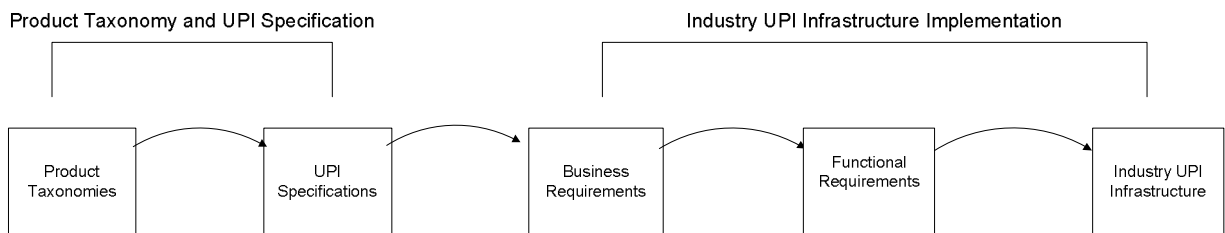
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1. Executive Summary

As part of ongoing efforts to improve the OTC derivatives infrastructure, ISDA, through its members, has developed an implementation plan to define a standardized taxonomy (classification) for OTC derivatives and develop Unique Product Identifiers (UPI). The taxonomy and UPI will support regulatory mandates to increase transparency for public and regulatory reporting.

On April 14, 2011, ISDA released a whitepaper, “Product Representation for Standardized Derivatives,”¹ that proposed an approach and defined use cases for standardized OTC derivatives. Since the publication of the whitepaper and subsequent comment period, ISDA has taken several additional steps.

ISDA has created a governance model to review the priorities, deliverables and timelines associated with the UPI Implementation Plan. In addition to leveraging the expertise within the ISDA Data Working Group and FpML Standards Committee, who have overall ownership of the ISDA UPI implementation, a steering committee was formed to provide direction and prioritization to industry and product working groups for each asset class.



The UPI Implementation Plan consists of two phases. The first phase will deliver an initial set of product taxonomies and UPI specifications. To that end, ISDA has completed workshops for credit, rates and equities to help define the initial product taxonomies. Commodities and FX workshops will follow in July 2011.

The initial product taxonomies will help generate the UPI specifications with a primary focus on standardized credit and rates products. The UPI specifications will detail the level of granularity needed to support public and regulatory transparency. In order to achieve this objective, the working groups will hold discussions with a broad range of market participants including, but not limited to, SEFs, MTFs, CCPs and SDRs; and consider the feedback from the ISDA whitepaper.

The launch of the Industry UPI Infrastructure Implementation phase is predicated upon the completion of the product taxonomies and UPI specifications for standardized credit and rates products. This next phase will define the business requirements and detailed functional specifications needed to build the UPI solution infrastructure. Design decisions will need to be assessed to gauge their potential impacts across asset classes.

¹ http://www2.isda.org/attachment/MzAzNw==/Product_Representation_for_Standardized_Derivatives_20110414vfinal.pdf

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Throughout the process, it will be critical to maintain open and regular communications with regulators, market facilities and other industry participants to build consensus. The stakeholder meetings will identify potential workflow issues or conflicts caused by prospective solutions. The plan must remain flexible enough to adapt to feedback from regulators and market participants, rulemaking decisions, and other international jurisdictional considerations.

The proposed timelines for each phase are outlined in the final section. The initial product taxonomies across all OTC derivatives will be completed in August 2011. The taxonomies will provide a reference to define the UPI specifications for standardized credit and rates products in September 2011. The remaining asset classes and phases will be sequenced to follow regulatory priorities.

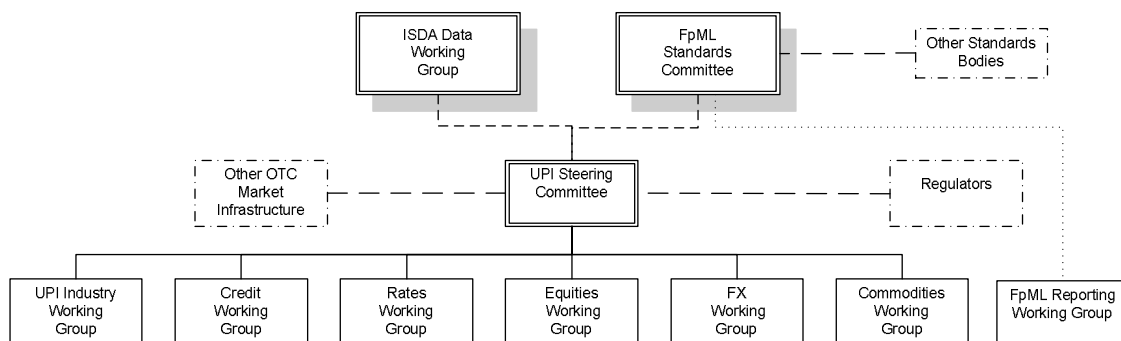
The execution of this plan, in combination with ongoing discussions between regulators and market participants, will drive the industry to develop a UPI solution that meets regulatory mandates and achieves the overall goals of public and regulatory transparency.

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2. Implementation Plan Governance

To facilitate the approach, timeline and deliverables for the implementation plan, the governance structure shown below was put in place. As part of the governance, a Steering Committee, product-specific and cross-product working groups were created, in addition to the existing oversight groups (FpML Standards Committee and ISDA Data Working Group) that sponsored the original white paper. Meetings have been underway since May and will continue throughout the project. To date, initial high level taxonomies for the Credit, Interest Rates and Equity derivative asset classes are in progress and the FX and Commodity groups will meet shortly to accomplish these tasks.

Coordination with other industry groups, standards bodies and stakeholders along with the regular communication of progress updates to global regulators are critical to the success of UPI. Without these efforts, the planned usage of UPI as a common identifier throughout the trading lifecycle may be jeopardized. Fragmentation will result in higher complexity and costs for both industry and regulators.



ISDA Data Working Group

The ISDA Data Working Group is an existing ISDA committee that is comprised of sell and buy-side firms tasked with guiding the development and application of cross asset class data and reporting standards for OTC derivatives. The group provides feedback from an OTC derivatives perspective to ongoing international efforts to establish standard identifiers and reference data, including UPIs. The Data Working Group in collaboration with the FpML Standards Committee is tasked with approving the overall UPI approach and timeline.

FpML Standards Committee

The FpML Standards Committee is an existing ISDA committee that is comprised of senior technical, business and infrastructure experts from sell and buy-side firms, custodians, market infrastructures, solution providers and clearing houses. The standards committee sets the direction of the standard and is responsible for evolving the FpML standard to meet the

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business needs. This includes defining changes to the standard in order to cover more products or support additional business processes. In addition, the group is responsible for making the standard available to the general public and releasing new versions, promotion of the standard and interaction with other standards organizations and initiatives. The FpML Standards Committee in collaboration with the Data Working Group is tasked with approving the overall UPI approach and timeline.

UPI Steering Committee

The UPI Steering Committee is made up of select members of the Data Working Group and FpML Standards Committee. The UPI Steering Committee is responsible for determining priorities for the working groups and monitoring the overall progress. The Steering Committee also reviews the UPI approach, plan and timeline prior to submitting to the Data Working Group and FpML Standards Committee.

UPI Industry Working Group

The UPI Industry Working Group will be formed to represent all interested parties that could provide input into the approach and implementation including but not limited to: SEFs/MTFs, CCPs, SDRs, market utilities, sell and buy-side firms. We anticipate launching this group by mid-July 2011.

Product Working Groups

The product working groups represent each of the asset classes for Credit, Rates, Equities, FX and Commodities. The product working groups are responsible for delivering product taxonomies by leveraging standardization product matrices, FpML schemes, and existing industry standards where available. In addition, the product working groups will be responsible for the product definitions, detailed product attribute analysis (including FpML mappings) and following up on comments from the ISDA whitepaper.

This structure might evolve as additional deliverables such as the Industry UPI Infrastructure Implementation functional requirements are identified.

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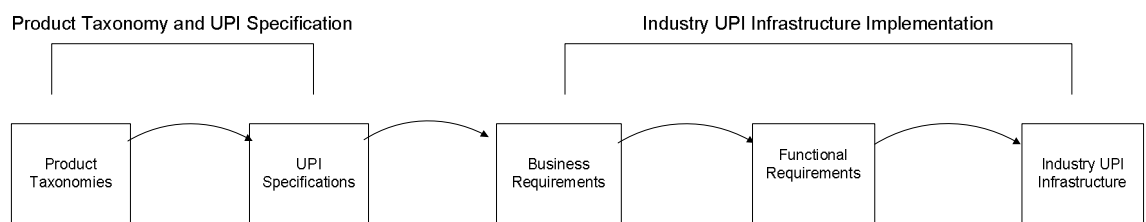
3. Overall UPI Implementation Approach

The UPI Implementation Plan consists of two distinct phases.

UPI Implementation Plan Phases

- Product Taxonomy and UPI Specification
- Industry UPI Infrastructure Implementation

The following diagram represents a high-level depiction of the phases and associated deliverables:



Product Taxonomy and UPI Specification

- The product taxonomy will drive the UPI specifications.
- The delivery of the product taxonomies and the subsequent UPI specifications will determine the level at which UPIs will be assigned.

Industry UPI Infrastructure Implementation

- Industry discussions with market participants along with the deliverables from the previous phase will enable the delivery of business requirements for the Industry UPI Solution, representing how UPIs will be delivered to market participants.
- These business requirements will help to generate functional requirements which will detail the industry UPI infrastructure implementation.
- The functional requirements will then be used to build and deliver the infrastructure for UPI.

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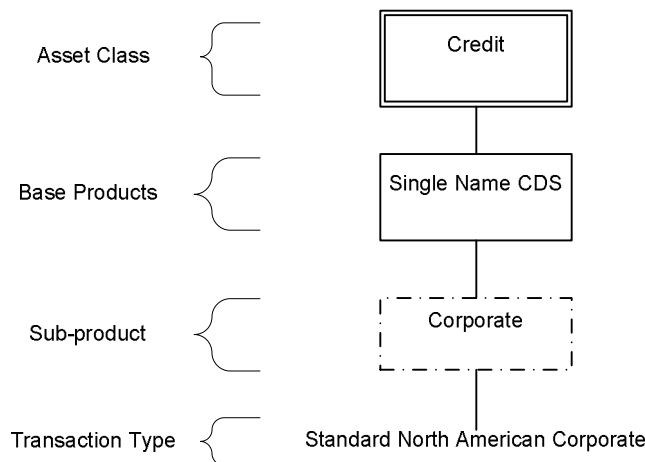
4. Product Taxonomy and UPI Specifications

During this phase, we will define the initial product taxonomies for each asset class, specify the delivery of the taxonomies to the market, and detail the governance model used to oversee taxonomy changes impacting the OTC derivative products and markets going forward. In parallel, detailed UPI specifications will be created with a primary goal of supporting public and regulatory transparency.

4.1 Product Taxonomies

4.1.1 Deliverables

The product taxonomies will represent the initial set of hierarchical taxonomies for each of the OTC derivative asset classes (credit, rates, equities, FX and commodities). The taxonomies, representing 3-4 levels of detail, will evolve as part of an iterative process involving all market participants. The level of taxonomy may differ for each of the asset classes. A sample representation for credit is shown here:



In addition to the product groups determining the taxonomies, it will be critical to do the following:

- Establish a review and publication mechanism that allows the taxonomies to evolve and also positions the taxonomies as the market-agreed standard.
- Develop dialogue with industry groups to update existing taxonomies and bring them in line with the new market standard (e.g. updates and additions of FpML schemes where necessary and appropriate).

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4.1.2 Approach

The Product Taxonomy details the product hierarchies for each of the asset classes. To that end, ISDA has held workshops for specific asset classes to develop product taxonomies. The taxonomies cover all OTC derivatives. Workshop participants include 20-30 subject matter experts in the asset classes, representing buy and sell-side firms. In the workshops, participants are tasked with reviewing existing product matrices, definitions and creating a product taxonomy that represents the base, sub-products and transaction types, where applicable. Workshops were completed in June for Credit, Interest Rates and Equities. Similar sessions will be held for FX and Commodities.

As a result of this 'initial pass,' ISDA will re-engage those groups into a set of iterations that will aim to normalize the approach across asset classes wherever appropriate.

Once the product taxonomy is completed, we will then engage the FpML Standards Committee to integrate the outcome of this work as part of the FpML standard, in the form of scheme adjustments and additions.

4.1.3 Timing

The initial product taxonomies for all asset classes will be completed by August 2011. The taxonomies will continue to be developed and evolve as more products become standardized and the taxonomies are vetted with regulators and market participants.

4.2 UPI Specification

4.2.1 Deliverable

The UPI Specifications will define the level of granularity to specify UPI. This is seen as a critical component for public and regulatory transparency. The initial focus will be on standardized credit and rates products. Additional considerations for the UPI specifications include:

- Evaluation of UPI usage for other business processes and interactions in the OTC derivatives infrastructure.
- Definition of the relationship of UPI with other product IDs used by other market facilities (e.g. CCPs).
- Definition of UPI scope, product coverage and use cases within each asset class.

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4.2.2 Approach

The following tasks will be executed within the UPI Specification phase:

- Evaluation of the comments received on the ISDA whitepaper: "Product Representation for Standardized Derivatives."
- Expansion upon the concepts developed in the ISDA whitepaper to validate how the UPI approach can be translated into a workable and scalable solution for the industry.
- Meetings with market participants (i.e. SEFs, MTFs, CCPs, and SDRs etc.) to discuss potential areas where UPI impacts other processes in the OTC derivatives infrastructure.
- Discussions with market participants to validate the approach to support public and regulatory transparency or serve as components within the proposed infrastructure.

In order to accomplish these goals, ISDA will organize a set of thematic workshops with market participants to discuss the concepts developed as part of the whitepaper. In addition, the product working groups will confirm applicability of the approach for each of the asset classes and develop product specification use cases.

4.2.3 Timing

Credit and rates UPI Specifications for standardized products will be completed in September 2011. UPI Specifications for the remaining asset classes will follow.

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5 Industry UPI Infrastructure Implementation

The launch of this phase is predicated on the completion of the Product Taxonomy and UPI Specification phase of the Implementation Plan. Once this previous phase is completed and the details for UPI are agreed upon, a more detailed implementation plan will be generated and presented to regulators through our scheduled updates. We currently envision three distinct milestones for the infrastructure.

5.1 Business Requirements for Industry UPI Solution

5.1.1 Deliverable

The business requirements document will outline the business needs necessary for the Industry UPI Solution. It may address, but will not be limited to, the following topics:

- Ownership and governance model for UPI industry solution
- Review of the overall UPI approach and UPI specifications
- Potential UPI workflows, including:
 - Integration with market facilities
 - Determine potential use of product taxonomies, representing all OTC derivatives, by the SDRs for regulatory reporting
- Identified issues and dependencies associated with potential industry solutions
- High level user roles and use cases

5.1.2 Approach

It will be necessary to perform extensive outreach within the marketplace to capture viewpoints from other relevant stakeholders. To that end, ISDA will launch a UPI Industry Working Group by mid-July 2011 that will be open to any members seeking to provide input into UPI usage. It is envisioned that likely members will include: SDRs, SEFs, MTFs, CCPs, affirmation platforms, sell and buy-side firms.

In addition, the UPI committees and working groups will need to consider topics such as:

- How the various market participants will 'interact' with UPI; and
- Ensure that potential solutions do not detrimentally impact product innovation or existing workflows.

5.1.3 Timing: See timeline in section 6.

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5.2 Functional Requirements for Industry UPI Solution

5.2.1 Deliverable

The functional requirements document will detail the technical specifications for the Industry UPI Solution for the OTC derivatives marketplace. It may address, but will not be limited to, the following topics:

- Detailed UPI workflows, including:
 - identifier creation
 - modification
 - deletion
- Interoperability with existing industry protocols
- Solution features including but not limited to:
 - administration
 - service level agreement (SLA)
 - maintenance
 - latency
 - query capabilities
- Entitlements and detailed user role descriptions
- Use cases for UPI usage, maintenance, distribution

5.2.2 Approach

In order to deliver a functional requirement for the industry UPI solution, it is necessary to reach out to market participants and potential vendors to discuss solutions for disseminating UPI to industry participants. The functional requirements document is dependent on the delivery of the UPI Specifications and the Business Requirements for the Industry UPI Solution. It is expected that the UPI will be consumed by most market participants, and information will be solicited by these stakeholders to explore potential solutions.

Once completed, the functional requirements will be used to determine potential industry UPI solutions for the integration of UPI within the OTC derivative trade workflow.

5.2.3 Timeline: See timeline in section 6.

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5.3 Industry UPI Infrastructure Implementation

5.3.1 Deliverables

The Industry UPI Infrastructure Implementation Plan will detail the design, build, and testing phases. Acceptance criteria will be defined within each phase of the implementation plan.

5.3.2 Approach

The Industry UPI Infrastructure Implementation will be defined by the business and functional specifications which will serve as the roadmap for this section of the implementation.

5.3.3 Timeline: See timeline in section 6.

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6. Implementation Plan Timeline

