

EXTERNAL DISTRIBUTION

Title: FpML Versions 4.2, 4.3 & 5.5 Support Proposal

Highlight:

Proposal to support legacy versions of FpML to accommodate the changes consequent to the 2021 Definitions and Interest Rate alterations.

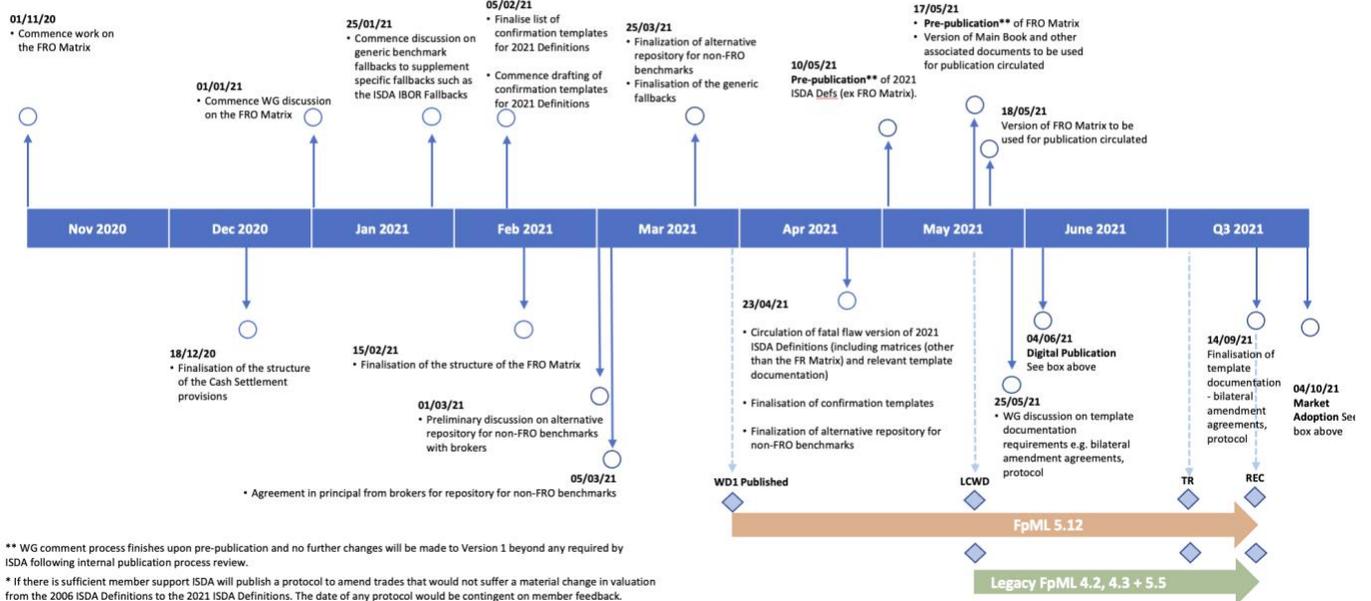
Summary:

A solution has been proposed in support of three legacy versions of FpML v. 4.2, v.4.3 & v.5.5, ensuring firms are prepared to meet the broader 2021 Definition Implementation timeline & Interest Rate Transition timeline, and is affordable within existing budgets.

2021 ISDA Definitions - Implementation Plan

Updated as of 13th May 2021

<p>Digital Publication:</p> <ul style="list-style-type: none"> • Publication of 2021 ISDA Definitions on the versioning platform • Publication of FRO Matrix • Go-live for non-FRO benchmark repository • Publication of confirmation templates • Publication of FpML schema 	<p>Market Adoption:</p> <ul style="list-style-type: none"> • Adoption by major CCPs, Trading Venues and Dealers of the 2021 Definitions • Cessation of updates to the 2006 ISDA Definitions (though 2006 ISDA Definitions will continue to exist) • Protocol implementation*
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FpML legacy version support

The FpML Standards Committee (April 13) discussed the staff-proposed approach to update legacy versions in 2021. This included outlining the boundaries where ISDA would provide support and updates, where members would be expected to support themselves. For example, versions other than 4.2 and 4.3 and 5.5 would be on a member ‘roll your own’ basis – but with guidance notes provided by ISDA. This was the approach formally put to the FpML Standards Committee on Monday by the Chair (Harry McAllister), prompting no formal objections.

The timeline indicates that ISDA is slated to publish a last-call working draft in sync with the go-live date in mid-May, followed by the trial recommendation around mid-July with the recommendation slated for early Fall 2021. This would permit members a period of a month or two to revert with comments and questions, with the trial recommendation slated for mid-summer. If there are no issues during the implementation process, ISDA would seek to publish it as a recommendation in mid-September, and therein supporting the overall 2021 Definitions October 2021 milestone.

Initially the estimated effort required to accommodate the original 4.2 related changes were deemed to be quite minor. However, it has subsequently transpired that the enhancements are likely to be much more significant. Firstly, the calculation information is likely to be more complex due to the compounding calculations and secondly the cash settlement provision complexities.

Subsequent to the FpML Standards Committee on Monday, the approach was fully costed internally to ensure that it was viable within existing ISDA 2021 budgets. We concluded that it was.

Longer term, ISDA will work towards building a more thoroughly documented FpML migration approach and strategy to ensure that any future version migrations are more clearly and precisely communicated and conducted. This may include providing some simple tools and scripts to help members with their migration efforts and to identify the impacts earlier in the migration process.

Recommendation:

The previous Standards Committee (March 2021) discussed the merits of supporting the requirement to accommodate changes to FpML version 4.2, in light of the proposed changes brought about by the version 5.12. The latest Standards Committee (April 2021) discussed the merits of supporting limited updates to versions 4.3 and 5.5, as well as the previously discussed 4.2.

The FpML Standards Committee (April 2021) recognized that some limits and caps may have to be agreed in advance to accommodate and support the above requests, mindful of the constraints of cost, effort and time. This involved:

1. ISDA and interested members work together to identify the differences between relevant versions in advance of the steps outlined below
2. Prioritizing on changes limited to just the schemas (so without full documentation)
3. Focusing upon providing new *use examples* only, and not updating existing ones
4. Republishing the existing examples with some limited guidance notes to help explain
5. Disclaimer with respect to the validation rules (ie buyer beware)
6. Disclaimer with respect to providing member specific technical implementation support, both immediate and ongoing
7. Focusing upon 4.2, 4.3 and 5.5 – and all other intermediate versions offered on a member ‘roll your own’ basis only with guidance notes provided
8. Member specific FpML enhanced / custom versions, such as 4.3 and 5.5 will not be directly supported from a member’s customer implementation perspective
9. FpML technical implementation helpdesk related support questions may incur additional charges where the issue is identified as in internal member / member’s client IT issue and not related to the FpML Standard and Governance.