EMIR Portfolio Compressions – Strawman



EMIR directive states:

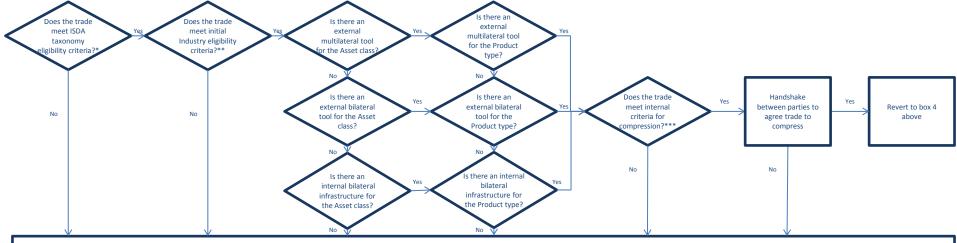
'Financial counterparties and non-financial counterparties with 500 or more OTC derivative contracts outstanding with a counterparty which are not centrally cleared shall have in place procedures to regularly, and at least twice a year, analyse the possibility to conduct a portfolio compression exercise in order to reduce their counterparty credit risk and engage in such a portfolio compression exercise.

Financial counterparties and non-financial counterparties shall ensure that they are able to provide a reasonable and valid explanation to the relevant competent authority for concluding that a portfolio compression exercise is not appropriate.'

Snapshot Date 6 months following snapshot date, and prior to the next snapshot date Identify CP trade Analyse feasible Asset Perform a compression portfolio's >500 classes and identify Identify trades which exercise, unwind trades Complete required trade Capture output of uncleared trades, split eligible Product types for confirmations (as could enter a as a result of compression exercise by Legal Entity, Asset compression in line with compression and book applicable) compression exercise ISDA product taxonomy and Product replacement trades

Record attempts and outcome of the above steps to be able to evidence compliance

Proposed analysis steps to understand possibility to conduct a portfolio compression exercise (expansion of box 2/3 above)



Record outcome of the analysis and/or compression exercise

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^{*} Details of the ISDA OTC Derivatives Products Taxonomy can be found at http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/

^{**} The industry may agree to criteria on trades which are not feasible to be compressed – examples include trades forming part of a larger structure or trades about to be cleared.

^{***} Each participant will have internal criteria on trades which are not feasible to be compressed – examples include certain trading books or short term to maturity trades. Internal policies can be applied to the analysis in this step.