

ISDA Market Practice Guidance for EMIR Portfolio Compressions

Version – 12th May 2015

The ISDA Portfolio Compression Working Group provides the following guidance in respect of the portfolio compressions obligations under Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (“EMIR”). This guidance note aims to provide a market practice guide for participants to follow when implementing systems and/or procedures to meet their portfolio compressions requirements under EMIR and was produced following industry consensus to ensure a consistent approach is taken for portfolio compression (“Market Guidance”).

Pursuant to regulatory technical standards (Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP (“RTS”)), qualifying participants are required to have in place procedures to perform a bi-annual process to:

- Identify counterparty portfolios with 500 or more uncleared OTC derivative contracts;
- Analyse the possibility to compress all trades within the scope of EMIR;
- Engage with counterparties to determine if a compression exercise is possible;
- Carry out a compression exercise on contracts within the scope of EMIR if appropriate; and
- Record attempts and outcomes of compression feasibility and exercise (even if a compression exercise is not undertaken).

Important Note and Disclaimer

This document and the documents incorporated by reference in the Statement section below do not constitute legal, accounting or financial advice and describe the market consensus among swap market participants who participated in the ISDA Portfolio Compression Working Group meetings which convened to discuss the matters described in this Market Guidance. This group proposed that ISDA issue this Market Guidance as a market practice for market participants to affected Transactions. Parties are not bound by this Market Guidance and should consider its application to their Transactions. Nothing herein is contractually binding on any parties or amends any Transaction or Confirmation. Parties should consult with their legal advisers and any other adviser they deem appropriate prior to using this document and the documents incorporated by reference. ISDA assumes no responsibility for any use to which any of its documentation or other documentation may be put.

Statement

The ISDA Portfolio Compressions Working Group formed of industry participants have worked together to define and produce:

- a step by step overview for EMIR portfolio compressions requirements [link](#); and
- a Product Feasibility Matrix using the ISDA taxonomy, outlining the products which are considered to be compressible. Product feasibility was determined based on compression processing currently performed and the potential to carry out a compression exercise considering the complexities of each product [link](#).

Both documents are working documents and will evolve as compression tools continue to advance. The ISDA Portfolio Compressions Working Group has agreed to perform a bi-annual review of this Market Guidance to ensure that it remains current and relevant. Note that additional reviews may take place at any point if considered appropriate if the ISDA Portfolio Compression Working Group is made aware of any significant market infrastructure change.

Multilateral compression cycles

Participants agreed that vendor organised multilateral compression cycles are a suitable mechanism to meet EMIR portfolio compression requirements, however acknowledge that other mechanisms agreed between parties could be used to perform compressions. Participants agree, where possible and appropriate, to participate in vendor led, multilateral compression cycles.

Market Practice guidelines

This document should be used as a guide. Participants are advised to use the document in conjunction with their own legal and/or compliance advice. The step by step guide has been established to set a minimum standards process flow only. Participants should have procedures in place to analyse the feasibility of compressing all products as outlined in the scope of the Product Feasibility Matrix and exercise compression as appropriate.