

August 12, 2009

Small Bang Protocol: Credit Operations Best Practices

The following calls were hosted by ISDA on the 12th August and a number of points have been clarified:

CIG (Credit Implementation Group) - Senior Operations forum
CSC (Credit Steering Committee) - Senior Trading forum
Tranche Trader Call

1. The CIG were informed that the Legal Definitions in the Protocol/Supplement for trading single name Thomson and Itraxx Europe Tranche trades after the DC Determination was that trades will include the Restructuring event up until the Exercise Deadline.

The CSC and the Tranche call were advised of this and there are no plans to create a separate Index Tranche or single name RED ID that would remove the Restructuring event, prior to the Credit Event Settlement Date

Trading from the 13th August

Trading on Single names should use the current RED ID (with the R Event);
Trading on Index Untranching Trades should use the New RED ID (with Thomson removed);
Trading on Itraxx Tranche trades should use the existing RED ID (with Thomson)

2. The CIG and DTCC have agreed the DTCC Auto Auto Reversioning dates to be D+3 (17 August), D+6 (20 August) and D+10 (26 August)
3. There is no Markit preferred RefOb for Thomson, so trades should be booked with No Ref Ob as identified in the Best Practices doc.
4. The Tranche Traders have agreed to look at a Delta weighted solution, splitting Thomson from the tranche trade so that it can be processed similar to the Untranching/single name solution.

If there is not a more formal solution developed prior to the Publication of the Final List of Deliverable Obligations by ISDA then the Tranche procedures as set out in the Best Practices Doc will be implemented.

5. Firms to book the single name spin-offs on the 13th August and submit to DTCC

Capitalised terms have the meaning given to them in the relevant ISDA definitional booklet.

The precise documentation of each Transaction remains the responsibility of the parties concerned. ISDA assumes no responsibility for any use to which this Best Practice Statement may be put.

Each party following the recommendations contained in this Best Practice Statement should satisfy itself that those recommendations are appropriate to reflect the commercial intentions of the parties.