EMIR Portfolio Compressions – Strawman

ISDA® Safe, Efficient Markets

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** →

1 Identify CP trade portfolio's >500 uncleared trades, split by Legal Entity, Asset and Product

2 Analyse feasible Asset classes and identify eligible Product types for compression in line with ISDA product taxonomy

3 Identify trades which could enter a compression exercise

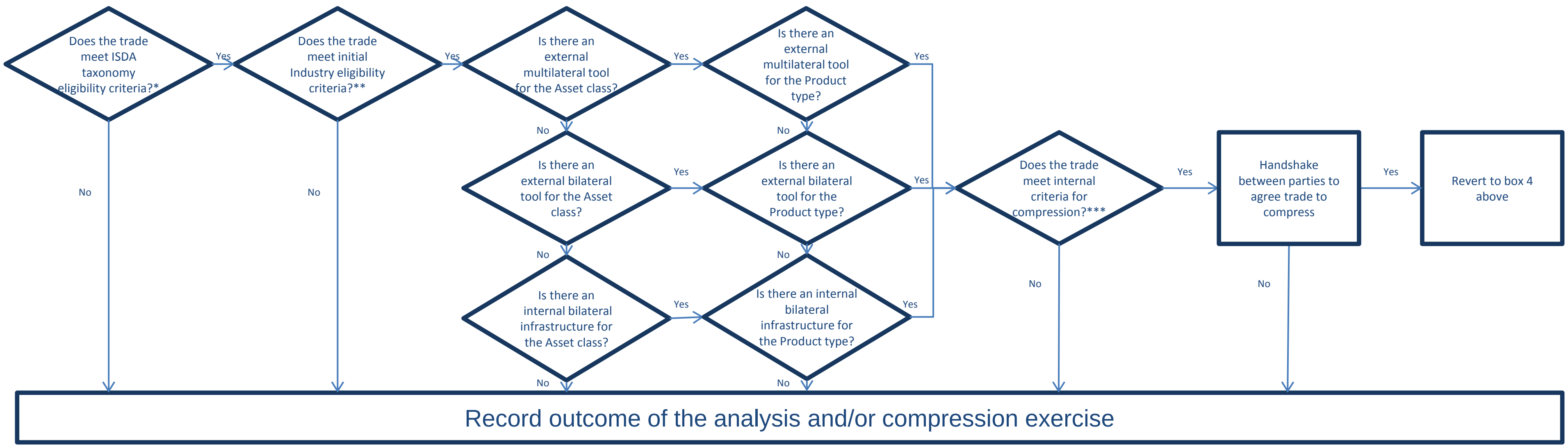
4 Perform a compression exercise, unwind trades as a result of compression and book replacement trades

5 Capture output of compression exercise

6 Complete required trade confirmations (as applicable)

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)



* ISDA product taxonomy eligibility is yet to be agreed, defined and published by the industry.
** 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 with 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.

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