
Cash Settlement Methods in the 2021 Definitions

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Cash Settlement Methods in the 2021 Definitions

Mid-market Valuation

Replacement Value

Collateralized Cash Price

Par Yield Curve - Unadjusted

Mid-market Valuation (Indicative Quotations)

Mid-market Valuation (Indicative Quotations) – Alternate Method

Mid-market Valuation (Calculation Agent Determination)

Replacement Value (Firm Quotations)

Replacement Value (Calculation Agent Determination)

Elections:

- Mutually Agreed Clearinghouse
- Agreed Discount Rate
- Settlement Rate
- Quotation Rate

Elections:

- Settlement Rate
- Quotation Rate

Elections:

- MMV Applicable CSA
- Cash Collateral Currency
- Cash Collateral Interest Rate
- Agreed Discount Rate

Elections:

- Protected Party
- Cash Collateral Currency
- Prescribed Documentation Adjustment – *only relevant for 'RV (Firm Quotations)'.*

Substantively unchanged from 2006 Definitions

New methodologies for 2021 Definitions (in place of Cash Price/Cash Price – Alternate Method and Cross Currency Method)

~~Cash Price/Cash Price – Alternate Method~~

~~Zero Coupon Yield - Adjusted~~

~~Cross Currency Method~~

~~Par Yield Curve - Adjusted~~

Not carried over from 2006 to the 2021 Definitions

New Cash Settlement Methods in the 2021 Definitions

Mid-market Valuation

Mid-market Valuation (Indicative Quotations)

An amount determined by obtaining indicative quotations from Cash Settlement Reference Banks for a theoretical mid-market price for the transaction, using a prescribed methodology and assuming collateral terms elected via the Confirmation). At least two quotations must be received – if at least two quotations are received, the amount is the average of the quotations; if fewer than two quotations are received the fallback is to ‘Mid-market Valuation (Calculation Agent Determination)’.

Mid-market Valuation (Calculation Agent Determination)

Equivalent to the ‘Mid-market Valuation (Indicative Quotations)’ method except that the amount is determined by the Calculation Agent using the same prescribed methodology.

Mid-market Valuation (Indicative Quotations) – Alternate Method

The same as ‘Mid-market Valuation (Indicative Quotations)’, except that each party shall ask each of the three Cash Settlement Reference Banks selected by it for quotes.

Replacement Value

Replacement Value (Firm Quotations)

An amount determined by obtaining firm quotations from Cash Settlement Reference Banks for the amount they would pay or charge the Protected Party to enter into a replacement transaction, based on documentation in place between the quoting bank and the Protected Party. If there is one Protected Party, the best quotation is used; if there are two Protected Parties, the arithmetic mean of each mid-point of firm quotations provided by a quoting bank to each Protected Party is used. If fewer than two quotations are received, or for two Protected parties fewer than two mid-points achieved, the fallback is to ‘RV (CA Determination)’.

Replacement Value (Calculation Agent Determination)

Equivalent to the ‘Replacement Value (Firm Quotations)’ method, but instead of using the Cash Settlement Reference Bank quotations, the Calculation Agent makes the determination using the Close-out Amount methodology under the standard-form 2002 ISDA Master Agreement.

Cash Settlement Reference Banks – 2006s vs 2021s

2006 Definitions

Institutions specified in the Confirmation or agreed between the parties.

If not specified and no agreement, five leading dealers selected by the Calculation Agent.

Calculation Agent approaches all five dealers to ask for quotations.

No template for requesting quotations.

Three quotations required for successful dealer poll.

2021 Definitions

Institutions specified in the Confirmation or agreed between the parties.

If not specified and no agreement, non-Calculation Agent can elect to choose two of the five dealers by serving standard notice.

Non-Calculation Agent can elect to request quotations from two of the five dealers (the two selected by it).

Template quotation request forms must be used for: MMV(IQ), MMV(IQ) – Alternate Method, and Replacement Value (Firm Quotations).

Two quotations required for successful dealer poll.

Elections and Defaults for the New Cash Settlement Methods in the 2021 Definitions

Mid-market Valuation

Confirmation Field Name	Possible Elections	Default where no Election
MMV Applicable CSA	[No CSA] [Existing CSA] [Reference VM CSA]	As specified in the Settlement Matrix ('Existing CSA' for OETs; no election specified for METs) or, if not specified, 'Reference VM CSA'.
Cash Collateral Currency	[specify currency] – only needs to be specified if there are two cash settlement currencies.	As specified in the Settlement Matrix or, if not specified the Termination Currency under the Master Agreement.
Cash Collateral Interest Rate	[specify rate]	The Discount Rate specified in the Settlement Matrix or, if not specified, determined by the Calculation Agent.
Agreed Discount Rate	[specify rate] – only needs to be specified if 'No CSA' is applicable.	The Discount Rate specified in the Settlement Matrix or, if not specified, determined by the Calculation Agent.

Replacement Value

Confirmation Field Name	Possible Elections	Default where no Election
Protected Party	[specify party][both parties][Non-exercising Party]	OET: Non-exercising Party; MET: both parties
Cash Collateral Currency – only needs to be specified if there are two cash settlement currencies.	[specify currency]	As specified in the Settlement Matrix for the currency pair, or if not specified, the Termination Currency under the Master Agreement.
Prescribed Documentation Adjustment – only relevant for 'RV (Firm Quotations)' method.	[Applicable]/[Not applicable]	Not Applicable

Defaults in the 2021s Settlement Matrix

Default Cash Settlement Methods for Swaptions, OETs, and METs in the 2021 Definitions Settlement Matrix

	USD	EUR	GBP	JPY	CHF	CAD
Swaptions	Collateralized Cash Price	Collateralized Cash Price	LIBOR: Par Yield Curve - Unadjusted SONIA: Collateralized Cash Price	Collateralized Cash Price	Collateralized Cash Price	Collateralized Cash Price
OETs	MMV(IQ) – ‘Existing CSA’	MMV(IQ) – ‘Existing CSA’	MMV(IQ) – ‘Existing CSA’	MMV(IQ) – ‘Existing CSA’	MMV(IQ) – ‘Existing CSA’	MMV(IQ) – ‘Existing CSA’
METs	MMV(IQ) – ‘Reference VM CSA’	MMV(IQ) – ‘Reference VM CSA’	MMV(IQ) – ‘Reference VM CSA’	MMV(IQ) – ‘Reference VM CSA’	MMV(IQ) – ‘Reference VM CSA’	MMV(IQ) – ‘Reference VM CSA’