KDPW_CCP implementation of 2021 ISDA Interest Rate Derivatives Definitions

Warsaw, September 2021
I. 2021 ISDA Interest Rate Derivatives Definitions – Introduction

II. 2021 ISDA Interest Rate Derivatives Definitions – KDPW_CCP implementation

III. 2021 ISDA Interest Rate Derivatives Definitions – Impact on KDPW_CCP services
ISDA – the International Swaps and Derivatives Association – has finalised the 2021 ISDA Interest Rate Derivatives Definitions which are an update of the 2006 ISDA Definitions

The 2006 ISDA Definitions will be replaced by the 2021 ISDA Interest Rate Derivatives Definitions as market standard

New 2021 ISDA Definitions will consolidate over 75 supplements into 1 single document

The 2006 Definitions will cease to be updated from the market adoption date of the 2021 Definitions (4th October 2021)

New Floating Rate Option (FRO) labels will be introduced for transactions referencing the ISDA 2021 Definitions
II. 2021 ISDA Interest Rate Derivatives Definitions – KDPW_CCP implementation

4th October 2021 – adoption date of the new definitions

→ KDPW_CCP will start accepting trades for clearing that are submitted under the 2021 Definitions AND will continue to accept trades for clearing submitted under the 2006 Definitions

→ No changes to KDPW_CCP clearing rules (i.e. the contractual agreement with our members) required since they do not directly refer to specific ISDA Definitions

→ Regardless of which ISDA Definitions set is the base for the trade and which agreement governs the original trade, after novation at KDPW_CCP the trade becomes subject to KDPW_CCP Rules of Transaction Clearing
III. 2021 ISDA Interest Rate Derivatives Definitions – Impact on KDPW_CCP services (1)

1. COMMUNICATION WITH MEMBERS: No changes to xml messages sent to KDPW_CCP clearing members – after the receipt of a trade from MarkitWire, the trade gets mapped into KDPW_CCP clearing system and the internal labelling conventions will remain the same; examples:

→ for PLN:
  ➢ trade under 2006 ISDA Definition:
    MarkitWire label: PLN-WIBOR-WIBO → KDPW_CCP internal label: PLN_WIBOR
  ➢ trade under 2021 ISDA Definition:
    MarkitWire label: PLN-WIBOR → KDPW_CCP internal label: PLN_WIBOR

→ for EUR:
  ➢ trade under 2006 ISDA Definition:
    MarkitWire label: EUR-EURIBOR-Reuters → KDPW_CCP internal label: EURIBOR
  ➢ trade under 2021 ISDA Definition:
    MarkitWire label: EUR-EURIBOR → KDPW_CCP internal label: EURIBOR
III. 2021 ISDA Interest Rate Derivatives Definitions – Impact on KDPW_CCP services (2)

1. COMPRESSION (netting):

The implementation of the 2021 ISDA Definitions will not affect compressions at KDPW_CCP as such. Trades under the 2006 and 2021 ISDA Definitions are eligible for netting.

In the case of a partial netting, the remnant (new) trade refers to these ISDA Definitions which were referred to in the gross trade with the bigger notional.

2. REPORTING:

No adjustments needed in the reports sent to the Trade Repository resulting from the implementation of the new Definitions.
Contacts

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THANK YOU