

ISDA 2021 Definitions

Eurex Clearing's Proposal

3 May 2021



Overview of the 2021 ISDA Definitions

- The International Swaps and Derivatives Association (ISDA) is currently finalizing the 2021 ISDA Interest Rate Derivatives Definitions, an update of the 2006 ISDA Definitions.
- Publication of the new definitions is planned towards mid of May, 2021. The date for market adoption of the 2021 ISDA Definitions will likely be Monday 4th October, 2021. [link](#)
- The 2021 ISDA Definitions will replace the 2006 ISDA Definitions as market standard.
- New Floating Rate Option (FRO) labels will be introduced for transactions referencing the ISDA 2021 Definitions.
- According to ISDA, the 2006 ISDA Definitions will no longer be updated once the ISDA 2021 Definitions are live.

Eurex Clearing's Proposal

- As of the acceptance of a bilateral OTC transaction for clearing by Eurex Clearing, the product related terms in the Clearing Conditions (or FCM Regulations) that correspond to the relevant market standard agreement under which the bilateral OTC transaction was concluded (e.g. 2006 ISDA Definitions, 2021 ISDA Definitions, the German Master Agreement (DRV)) will apply to the cleared transaction.
- As of October 4, 2021, Eurex Clearing will accept transactions for clearing in production that reference the 2021 ISDA Definitions in the 'Contractual Definitions' field or use 2021 ISDA Definitions-based Floating Rate Option labels.
- Clearing offering for other bilateral OTC transactions will remain unaffected.
- Eurex Clearing intends to maintain fungibility of cleared transactions that are 2021 ISDA Definitions-based with cleared transactions that are 2006 ISDA Definitions-based or DRV-based (as is already today for 2006 ISDA Definitions-based and DRV-based cleared transactions).
- Eurex Clearing is not planning to update legacy transactions at this stage.
- Eurex Clearing will not change the current FpML version/structure, but will simply show the “new” values (ISDA2021-based + new FRO labels) for transactions that reference the ISDA 2021 Definitions.
- **Eurex Clearing's Proposal is subject to future adjustments.**

Proposal Details 1/3

Clearing of new Trades

| Prenovated Trade | Novated Trade |
|---|--|
| ISDA 2006 + Legacy FRO e.g. EUR-EURIBOR-Reuters | ISDA2006-based and Legacy FRO e.g. EUR-EURIBOR-Reuters |
| ISDA 2021 + New FRO e.g. EUR-EURIBOR | ISDA2021-based and New FRO e.g. EUR-EURIBOR |
| ISDA 2006 + New FRO e.g. EUR-EURIBOR | ISDA2021-based and New FRO e.g. EUR-EURIBOR |

Treatment of Master Agreements & Contractual Definitions for novated trades

- FRO label is based on the value of the Contractual Definitions of the novated trade.
- If Contractual Definitions are “ISDA2021-based” then new FRO label e.g. “EUR-EURIBOR” will be populated.
- If Contractual Definitions are “ISDA2006-based” then old FRO label e.g. “EUR-EURIBOR-Reuters” will continue to be populated.

| “Contractual Definitions” of prenovated trade | “Master Agreement” of prenovated trade | “Contractual Definitions” of novated trade | “Master Agreement” of novated trade |
|--|--|--|-------------------------------------|
| ISDA2021 or ISDA2000 | any value other than DRV or DERV | ISDA2021-based | ECAG_CC* |
| ISDA2000, ISDA2006 or ISDA2021 | DRV or DERV | DRV-based | |
| ISDA2006, ISDA2006Inflation or ISDA2008Inflation | any value other than DRV or DERV | ISDA2006-based | |

* Once bilateral trades are novated, the Master Agreement of the cleared trade is always populated with the term "ECAG_CC" to reflect the validity of the Eurex Clearing Conditions regardless of the value in field “Master Agreement” of the bilateral (prenovated) trade.

Proposal Details 2/3

Portfolio Compression

- Remnant/new trade will have the Contractual Definitions and FRO of the original trade.
- If original trade is ISDA2006-based → new trade will be ISDA2006-based with old FRO e.g. EUR-EURIBOR-Reuters.
- If original trade is ISDA2021-based → new trade will be ISDA2021-based with new FRO e.g. EUR-EURIBOR.

Post Trade Events

e.g. Trade Transfer, Account Transfer, Portfolio Transfer

Reports

- FRO label is based on the value of the Contractual Definitions of the novated trade.
- If Contractual Definitions are “ISDA2021-based” then new FRO e.g. “EUR-EURIBOR” will be populated.
- If Contractual Definitions are “ISDA2006-based” then old FRO e.g. “EUR-EURIBOR-Reuters” will continue to be populated.

Clearing Confirmation Message

Proposal Details 3/3

Netting and Accumulation

Netting Level 1 (Basic) & 2 (Fee)

Scenario 1: 2 gross trades are netted

- The field “Contractual Definitions” of the new trade (remnant trade) is always populated with the value of the field “Contractual Definitions” of the gross trade with the bigger notional.
- If one of the gross trades has “ISDA2021-based” as “Contractual Definitions”, then the field “Contractual Definitions” of the new trade is always filled with "ISDA2021-based".

Scenario 2: More than 2 gross trades are netted

- If all gross trades have the same value in field “Contractual Definitions”, then the new trade will have this value as well (e.g. “ISDA2021-based”, “ISDA2006-based” or “DRV-based”).
- If one of the gross trades has “ISDA2021-based” as “Contractual Definitions”, then the field “Contractual Definitions” of the new trade is always filled with "ISDA2021-based".
- If the gross trades only reference to “ISDA2006-based and “DRV-based” in the “Contractual Definitions”, then the field “Contractual Definitions” of the new trade is always filled with "ISDA2006-based".

Netting Level 3 (Rate Blending) and Accumulation Level 1-3*

- If all gross trades have the same value in field “Contractual Definitions”, then the new trade will have this value as well (e.g. “ISDA2021-based”, “ISDA2006-based” or “DRV-based”).
- If one of the gross trades has “ISDA2021-based” as “Contractual Definitions”, then the field “Contractual Definitions” of the new trade is always filled with "ISDA2021-based".
- If the gross trades only reference to “ISDA2006-based and “DRV-based”, then the field “Contractual Definitions” of the new trade is always filled with "ISDA2006-based".

* Unlike Netting Level 1 & 2, the value of the field “Contractual Definition” of the accumulated or netted (Level 3) trade(s) are independent on the number of gross trades.

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Thank you!

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