



# MarkitServ 2021 ISDA Definitions Implementation

Presentation given at the November 4<sup>th</sup> ISDA  
Implementation Subgroup meeting

# 2021 ISDA Definitions: MarkitWire Contractual Definitions default

- The MarkitWire Contractual Definitions default was switched from “2006 ISDA” to “2021 ISDA” (meaning the 2021 ISDA Interest Rate Derivatives Definitions) in the MarkitWire UAT environment yesterday, November 3<sup>rd</sup>.
  - The corresponding Contractual Definitions default value will change in the MarkitWire Production environment on **November 27<sup>th</sup>, 2021** with the MarkitWire 18.2.2 Release.
  - MarkitWire API submissions to create a transaction referencing the 2021 Definitions must continue to explicitly send a **contractualDefinitions** element in MarkitWire API messaging referencing ‘ISDA2021’ plus the corresponding 2021 FRO names (and 2021 compliant Cash Settlement Methods where applicable).
  - Coinciding with the default change, omitting the **contractualDefinitions** element in MarkitWire API messaging is now interpreted and processed as if the 2006 Definitions had been specified. An explicit value of “ISDA2006” can also continue to be sent in the **contractualDefinitions** element.
  - While a message with **contractualDefinitions** omitted will continue to be accepted, we strongly recommend as best practice that all firms make necessary arrangements and plan to include **contractualDefinitions** in their API submissions as soon as possible even when incorporating the 2006 Definitions in a transaction as in a future MarkitWire release in 2022 MarkitWire will cease to support this element being omitted with the effect that transactions where this element is omitted will be rejected. *In order to avoid this future outcome, firms should, therefore, schedule any necessary systems changes so as to be able to specify the definitional book they want to apply to their transactions (whether that is the 2006 Definitions or the 2021 Definitions) as a matter of high priority.*

# 2021 ISDA Definitions: MarkitWire Contractual Definitions default (2)

- The ability for individual MarkitWire users to configure user level Contractual Definitions' preferences for each Rates product has been live in MarkitWire Production since the 18.2.1 Release on October 23<sup>rd</sup>, 2021.
  - This configuration only affects trades that a user manually enters as the initiator/drafter through the MarkitWire UI.
  - In Production **prior** to November 27<sup>th</sup> this configuration can be used to set a personal default of the 2021 Definitions (while the MarkitWire Production system-wide default remains the 2006 Definitions).
  - In Production **after** November 27<sup>th</sup> this configuration can be used to set a personal default of the 2006 Definitions (once the MarkitWire Production system-wide default switches to the 2021 Definitions).
  - See the Appendix for further details of how to configure these preference in the MarkitWire UI.

# 2021 ISDA Definitions: Other changes in MarkitWire 18.2.2 Release

- MarkitWire will enable the Prescribed Documentation Adjustment field associated with the 2021 Definitions “Replacement Value (Firm Quotations)” Cash Settlement Method to allow a value of “Applicable” to be specified in addition to the current allowed value of “Not Applicable”.
  - The MarkitWire default value for Prescribed Documentation Adjustment remains “Not Applicable”.
- At least one major dealer has indicated their intention to use a value of “Applicable” as their default election for OETs on 2021 Definitions transactions so firms should be prepared to process both values in this in field from November 27<sup>th</sup> in Production on non-cleared transactions under the 2021 Definitions.
  - Prescribed Documentation Adjustment is only an available election when the Cash Settlement Method is “Replacement Value (Firm Quotations)”

Break Style:	Optional - Mutual
Calc Agent:	As Specified in Master Agreement
Cash Method:	Replacement Value (Firm Quotations)
Settlement Rate Source:	Reference Banks
Reference Banks:	Agreed on exercise
Protected Party:	Non-Exercising Party
Cash Collateral Currency:	
Prescribed Documentation Adjustment:	Applicable

Replacement Value	
Replacement Value (Firm Quotations)	Replacement Value (Calculation Agent Determination)
<b>Elections:</b> <ul style="list-style-type: none"> <li>• Protected Party</li> <li>• Cash Collateral Currency</li> <li>• Prescribed Documentation Adjustment – only relevant for ‘RV (Firm Quotations)’.</li> </ul>	

See [ISDA Cash Settlement Methods – Cheat Sheet](#)

[Replacement Value (Firm Quotations)] <sup>39</sup>	
[Protected Party:] <sup>40</sup>	[Specify]/[Both parties]
[Cash Collateral Currency:]	[ ] <sup>41</sup>
Prescribed Documentation Adjustment:	[Applicable]/[Not applicable]

# 2021 ISDA Definitions: Other changes in MarkitWire 18.2.2 Release (2)

- MarkitWire will extend the existing override capabilities available via its Broker API messaging to allow a Broker API submitter to override the industry/MarkitWire default values for two additional early termination provision (OET/MET) fields specific to non-cleared (bilateral) transactions incorporating the 2021 ISDA Definitions. The two fields are:
  - **Prescribed Documentation Adjustment** on trades with Replacement Value (Firm Quotations) cash settlement method
  - **MMV Applicable CSA** on trades with Mid-market Valuation cash settlement methods
- This change is to allow Broker API submitters to specify customer preferred elections for 2021 ISDA OETs and METs which differ from those adopted at the industry level.

# 2021 ISDA Definitions: Other changes in MarkitWire 18.2.2 Release (3)

- Last week, on October 26<sup>th</sup> ISDA circulated final versions of Supplement 88 to the 2006 Definitions (fallbacks for USD LIBOR ISR and JPY LIBOR TSR and new Rate Options for SOFR ISR and TONA TSR), which will be included in **Version 3** of the 2021 Definitions.
  - ISDA plan to publish everything on a TBD date after the SOFR ISR (**ICE Swap Rate**) and TONA TSR (**Tokyo Swap Rate**) are available for trading. The exact date is not yet known.
- In light of the above, and given the CFTC “SOFR First” Phase 3 for Non-Linear Derivatives (Swaptions and Caps/Floors) beginning next Monday, November 8<sup>th</sup>, MarkitWire is making available in the UAT environment as part of its 18.2.2 Release the ability to select the SOFR ICE Swap Rate as a Settlement Rate on USD SOFR Swaptions and the TONA Tokyo Swap Rate as a Settlement Rate on JPY TONA Swaptions.

- A CFTC FAQ on Phase 3 can be downloaded [here](#).

2006 ISDA D		2006 ISDA I	
Currency	Cash Settlement Method	Currency	Cash Settlement Method
USD	USD LIBOR Swaptions †: Collateralized Cash Price Settlement Rate: ICESWAP Rate (USD LIBOR)	JPY	JPY LIBOR Swaptions †: Zero Coupon Yield - Adjusted (Settlement Rate: JPY LIBOR Tokyo Swap Rate; Refinitiv Screen 17143 Page) **
	USD SOFR Swaptions †††: Collateralized Cash Price Settlement Rate: ICESWAP Rate (USD SOFR)		JPY TONA Swaptions †††: Collateralized Cash Price (Settlement Rate: TONA Tokyo Swap Rate) **

# 2021 ISDA Definitions: Other changes in MarkitWire 18.2.2 Release (4)

- In the 18.2.2 Release MarkitWire will remove references to the London holiday center GBLO as a default value for USD SOFR Swaption **Exercise Business Days** to align with the already published ISDA 2006 and 2021 Settlement Matrices (UI Option Exercise tab)
- At the same time, GBLO will be removed as a default value for USD SOFR Swaption Premium Payment Business Days (UI Option Settlement tab)

Option Style: European

Expiration Date: 20 Jan 2022 Convention: PREC

Holiday Centres: GBLO; USNY

Earliest Time: 9am Expiry Time: 11am

Location: New York

Calc Agent: Seller

Automatic Exercise Threshold: %

Written Exercise Confirmation

Premium Amount: 600,000.00

Payment Ccy: USD

Premium Payment Date: 22 Oct 2021

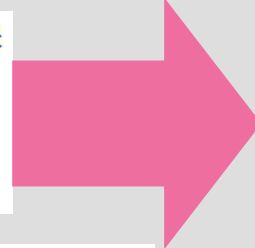
Holiday Centres: GBLO; USNY

2006 ISDA Definitions		
Currency	Cash Settlement Method	Exercise Business Days (Cash and Physical Settlement)
USD	<b>USD LIBOR Swaptions†:</b> Collateralized Cash Price Settlement Rate: ICESWAP Rate (USD LIBOR)	> LIBOR Floating Rate Options: New York and London;
	<b>USD SOFR Swaptions†††:</b> Collateralized Cash Price Settlement Rate: ICESWAP Rate (USD SOFR)	> All other Floating Rate Options: New York

# 2021 ISDA Definitions: Other changes in MarkitWire 18.2.2 Release (5)

- Please note that in **Version 3** of the 2021 ISDA Definitions, the name “Tokyo Swap Reference Rate” will be replaced by “Tokyo Swap Rate”.
- MarkitWire will be making a corresponding change for trades under 2021 ISDA Definitions in a later build of 18.2.2 UAT and promote it to Production along with the 18.2.2 Release on November 27, 2021.
- MarkitWire trade messaging (SWML/SWDML/SWBML 4.2) will not change and “Tokyo Swap Rate” will continue to be encoded as `<rateSource>TOKYOSWAP</rateSource>`
- The change will apply to the MarkitWire UI, Deal Tickets and certain CSV Exports such as “Selection (Full Details)”

GENERAL	
Discount Rate	Settlement Rate
TONA	Tokyo Swap Reference Rate (JPY LIBOR)
	Reference BanksTokyo Swap Rate (JPY TONA)



Settlement: Physical  Cleared Physical Settlement

Quotation Rate: Mid

Settlement Rate Source: Tokyo Swap Reference Rate

Settlement: Physical  Cleared Physical Settlement

Quotation Rate: Mid

Settlement Rate Source: Tokyo Swap Rate

Settlement Terms:	
<b>Settlement:</b>	Cleared Physical Settlement
<b>Settlement Rate:</b>	Other Price Source - Tokyo Swap Reference Rate
<b>Quotation Rate:</b>	Mid

Settlement Terms:	
<b>Settlement:</b>	Cleared Physical Settlement
<b>Settlement Rate:</b>	Tokyo Swap Rate
<b>Quotation Rate:</b>	Mid


APZ
Option Source
Tokyo Swap Reference Rate

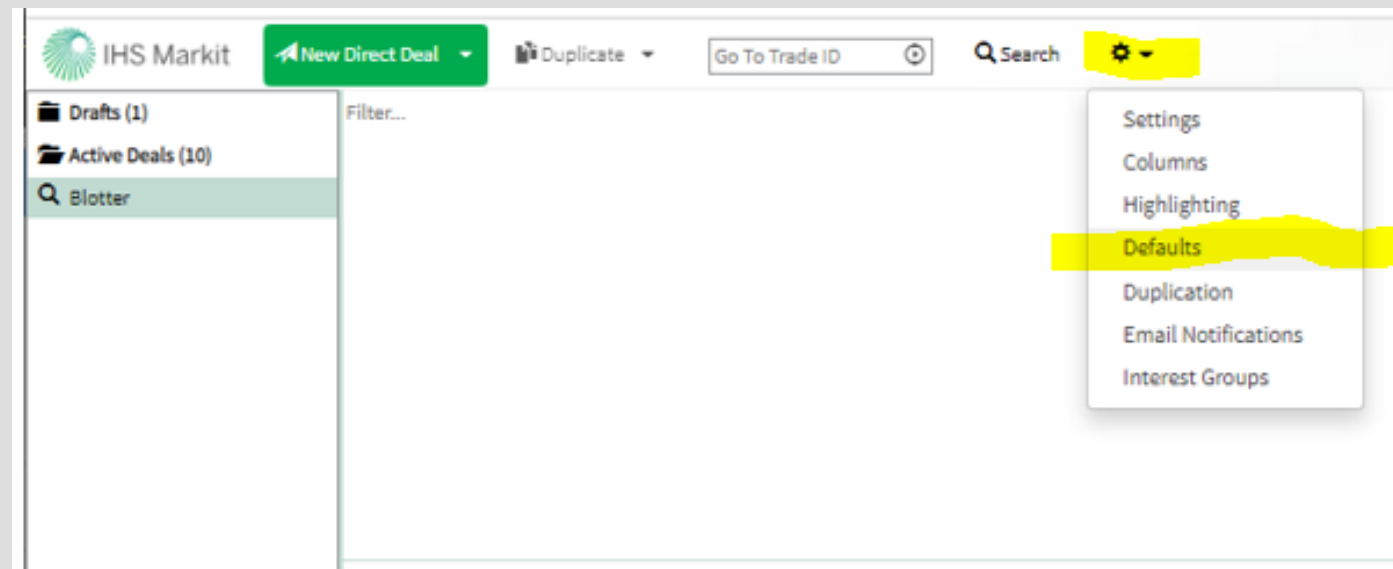
APZ
Option Source
Tokyo Swap Rate



# Appendix

# How to configure your Contractual Definitions preferences...

- MarkitWire UI users can configure their own Rates product-level preference for the ISDA definitional booklet (whether the 2021 Definitions or 2006 Definitions) avoiding the need to have to override the system-wide default for each transaction. Once set, the user level preference will be automatically applied for the given product when entering/drafting a new Direct Deal, Prime Brokered Deal or Client Clearing Deal in the UI
- **Step 1** – Click on the cog  in the MarkitWire UI menu bar and select 'Defaults' from the dropdown menu as shown below:



# How to configure your Contractual Definitions preferences... (2)

- **Step 2** – In the window that appears under the ‘Product Values’ section in the lower half of the window select the desired Rates product, e.g. ‘OIS’ and then select the desired IRD Contractual Definitions preference, e.g. ‘ISDA2021’.
- **Step 3** – Repeat Step 2 to set a preference for each required Rates product.
- **Step 4** – Press the OK button to save the entered preferences.
- **Step 5** – Logout of the MarkitWire UI.
- **Step 6** – Login to the MarkitWire UI.

Books:

Product	Curren...	Currency 2	Book
OIS	All	All	AAA TEST1
IRS	All	All	AAA TEST2
All other	All	All	BOOK1

Remove Edit Add

Product Values:

Product: OIS

My Entity: AAA Bank

IRD Contractual Definitions: ISDA2021

Break Details:

OK Cancel

# Points to note about the preferences functionality

- An IRD Contractual Definitions preference can be set for the following MarkitWire Rates products:
  - Basis Swap
  - CapFloor
  - Cross Currency Basis Swap
  - Cross Currency IRS
  - Fixed Fixed Swap
  - FRA
  - IRS
  - OIS
  - Swaption
  - ZC Inflation Swap
- If a preference is not set for any given product then the system-wide default setting for Contractual Definitions will continue to apply when entering new deals in MarkitWire
- If a preference for a given product is set equal to the 'then prevailing' MarkitWire system-wide default setting then the behaviour will be as if no preference had been set (since the nominal override would be to the same value as the current default)
- The preference can be set back to an empty value so that the 'then prevailing' MarkitWire system-side setting will apply.
- The functionality is not applicable or available to a Broker MarkitWire UI user.

JSTTRA

Thank you

The new home of **MarkitServ, Traiana, TriOptima & Reset**

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