

Intercontinental Exchange



ICE CDS Clearing ISDA 2014 Definitions Implementation

September 17, 2014

ISDA 2014 Defs: Key Implementation Dates

Date	Details
Sep 22	<p>Clearing Eligibility:</p> <ul style="list-style-type: none"> • Non-Protocol Single Names clearing eligible under ISDA2003Credit and ISDA2014Credit. • Current Indices and Protocol Single Names clearing eligible under ISDA2003Credit only. <p>Clearing Workflows:</p> <ul style="list-style-type: none"> • New “ISDA Definition” field available in the ICE Link GUI, Auto-Affirmation and Reports. • Electronic trading platforms are required to populate the “ISDA Definition” field to ICE on all submissions. • Executing Brokers and Clients have been advised to populate the “ISDA Definition” field to ICE on all Single Name submissions. • If the field is not populated, ICE Link will default all Single Names to “ISDA2003Credit” between Sep 22 and Oct 3. Indices will default to the clearing eligible ISDA Definition value, “ISDA2003Credit” between Sep 22 and Oct 3. <p>EOD Pricing:</p> <ul style="list-style-type: none"> • EOD settlement prices for Protocol Single Names and all Indices will remain on 2003 Definitions. • Clients with open positions in Non-Protocol Single Names under both 2003 and 2014 Definitions will receive two separate EOD settlement prices in the ICE Link Pricing report. 2003 and 2014 Definition instruments can be differentiated using the “ISDA Definition” field or unique “ICE CDS Code”
Oct 4	<p>Operational Index Conversion:</p> <ul style="list-style-type: none"> • ICC/ICEU operational conversion of protocol indices from 2003 to 2014 Definitions. • No change in cleared date, trade reference identifiers or USIs. • ICC/ICE and ICE Link full position reports generated by 4:00pm ET to show the index updates.
Oct 6	<p>Protocol Effective Date:</p> <ul style="list-style-type: none"> • Legal conversion of Protocol Single Names and Indices from 2003 to 2014 Definitions. • Includes any Protocol Single Names and Indices cleared under 2003 Definitions between Sep 22 and Oct 3. <p>Clearing Eligibility:</p> <ul style="list-style-type: none"> • Non-Protocol Single Names remain clearing eligible under ISDA2003Credit and ISDA2014Credit. • All Protocol Single Names and Indices clearing eligible under ISDA2014Credit only. <p>Clearing Workflows:</p> <ul style="list-style-type: none"> • If the “ISDA Definition” field is not populated, ICE Link will default all Single Names to “ISDA2014Credit” and users will need to explicitly specify “ISDA2003Credit” when relevant. All clearing eligible Indices will default to “ISDA2014Credit”.
Post Oct 6	<ul style="list-style-type: none"> • Two Single Name Conversion Cycles will be scheduled to operationally terminate and replace protocol single names from 2003 to 2014 Definitions. ICE will follow up with further details for impacted clients.

ISDA 2014 Definitions: Overview

- The 2014 ISDA Credit Derivatives Definitions (“2014 Definitions”) are an updated and revised version of the 2003 ISDA Credit Derivatives (“2003 Definitions”), a document that contains the basic terms used in the documentation for most CDS transactions.
- Key updates to the 2014 Definitions from the 2003 Definitions include:
 - **Financial Entity Credit Event Trigger:** Government initiated bail-in of a Financial reference entity incorporates a new credit event trigger with the provision of the processed of bailed-in debt or restructuring reference obligation.
 - **Sovereign Entity Credit Event Settlement:** Provides ability for credit event settlement of a Sovereign reference entity by delivery of assets into converted sovereign debt
 - **Standard Reference Obligation:** Allows trade parties to identify a standard reference obligation (SRO) across all standard single name CDS contracts on the same reference entity and seniority level
- Clients can find further information on the ISDA Documentation relating to the launch of the 2014 Definitions at: <http://www2.isda.org/asset-classes/credit-derivatives/2014-isda-credit-derivatives-definitions/>
- The industry is working on infrastructure developments necessary to support trading under 2014 Definitions.

ISDA Protocol

- The Protocol will enable firms to apply the 2014 Definitions to certain existing transactions, eliminating distinctions between legacy transactions and new transactions under the 2014 Definitions.
- Certain Reference Entities will be excluded from the Protocol (“Non-Protocol Reference Entities”) and legacy positions on these Reference Entities will remain under the 2003 Definitions.
- Non-Protocol Reference Entities are either certain Sovereign entities, certain Financial entities or certain Corporate entities (e.g. Societe Air France). The 2014 Definitions can only apply to new transactions on those Reference Entities from September 22 onwards.
- The adherence process for the Protocol will take place from August 21, 2014 to September 17, 2014.
- ICE Clear Credit and ICE Clear Europe will convert cleared legacy positions from 2003 Definitions to 2014 Definitions, other than the excluded Reference Entities, regardless of whether the Clearing Participant or Client has signed the Protocol. However, it is expected that most market participants will adhere to the Protocol.

Clearing Eligible Non-Protocol Reference Entities

- The below clearing eligible Reference Entities are excluded from the ISDA Protocol.
- All legacy positions will remain under 2003 Definitions.
- From September 22, the below Reference Entities will be clearing eligible under 2003 Definitions and 2014 Definitions.
- Five European Financial Reference Entities (2014 Definition Instruments only) will start clearing to the SRO from September 22.

Reference Entity	Reference Entity Type	Region	ICC	ICEU	SRO
SOCIETE AIR FRANCE	Corporate	Europe	Y	Y	N
BANCA MONTE DEI PASCHI DI SIENA S.P.A.	Financial	Europe	Y	Y	Y
BANCO BILBAO VIZCAYA ARGENTARIA, SOCIEDAD ANONIMA	Financial	Europe	Y	Y	Y
BANCO ESPIRITO SANTO, S.A.*	Financial	Europe	Y	Y	N
BANCO SANTANDER SA	Financial	Europe	Y	Y	Y
BANK OF SCOTLAND PLC	Financial	Europe	Y	Y	Y
INTESA SANPAOLO SPA	Financial	Europe	Y	Y	Y
IRELAND	Sovereign	Europe	N	Y	N
KINGDOM OF SPAIN	Sovereign	Europe	N	Y	N
PORTUGUESE REPUBLIC	Sovereign	Europe	N	Y	N
REPUBLIC OF ITALY	Sovereign	Europe	N	Y	N

****Banco Espirito Santo S.A. is currently undergoing a Succession Event and is no longer clearing eligible. Any open positions will be excluded from the Protocol conversion.***

ISDA Transaction Types

- ISDA is publishing a revised version of the Credit Derivatives Physical Settlement Matrix, including new Financial Transaction Types that specify Government Intervention as a Credit Event and the financial Entity Terms under the 2014 Definitions as applicable.
- For September 22, ICE clearinghouses will support the new “StandardEuropeanFinancialCorporate” Transaction Type for the European Financial Reference Entities excluded from the ISDA Protocol.
- The below grid summarizes the expected clearing eligible Transaction Types and whether 2003 Definitions or 2014 Definitions will apply:

Sector	Transaction Type	ISDA Definitions
European Financial	StandardEuropeanCorporate	2003
European Financial	StandardEuropeanFinancialCorporate	2014
European Corporate	StandardEuropeanCorporate	2003
European Corporate	StandardEuropeanCorporate	2014
North American Financial	StandardNorthAmericanCorporate	2014
North American Corporate	StandardNorthAmericanCorporate	2014
Latin American Sovereign	StandardLatinAmericanSovereign	2014
Western European Sovereign	StandardWesternEuropeanSovereign	2003
Western European Sovereign	StandardWesternEuropeanSovereign	2014
Emerging Market Sovereign	StandardEmergingEuropeanandMiddleEasternSovereign	2014

New ISDA Definition Field

- Post September 22, market participants may trade under 2003 Definitions and 2014 Definitions for Non-Protocol Reference Entities.
- Today, “Contractual Definition” is not a field captured within the legal confirmation. The clearinghouse rulebooks state you are trading under 2003 Definitions by default.
- The industry is implementing a new ISDA Definition field to differentiate between transactions under both 2003 Definitions and 2014 Definitions. New values will be ISDA2003Credit, ISDA2014Credit and ISDA2006 (bilateral transactions only).
- The ISDA Definition field is being added to the clearinghouses, ICE Link API/Auto-Affirmation and ICE Link GUI.
- Authorized Trading Platforms (SEFs/IDBs) will be required to populate the ISDA Definition field when submitting a trade to ICE.
- Clients are advised to populate the ISDA Definition field when submitting a trade to ICE. If the field is not populated ICE Link will default the field to ISDA2014Credit.
- If the ISDA Definition field is submitted it will be a matching field.

Clearing Eligibility: 2003 versus 2014

- Non-Protocol Single Names: These will be clearing eligible under 2003 Definitions and 2014 Definitions from September 22. All legacy cleared positions will remain on the 2003 Definitions (Non-Protocol Reference Entities are listed on Slide 4).
- Protocol Single Names: These will be clearing eligible under 2014 Definitions only from October 6. All legacy cleared positions will be converted from 2003 Definitions to 2014 Definitions, effective October 6.
- Indices: iTraxx and CDX indices will be clearing eligible under 2014 Definitions only from October 6. All legacy cleared positions will be converted from 2003 Definitions to 2014 Definitions, effective October 6.
- Constituents of the off-the-run index series, which are excluded from the Protocol, will legally be under 2003 Definitions. These constituents will be referenced in the new Standard Terms Supplements.
- On October 4, the update to legacy index positions is an amendment only. The legacy index positions will retain their cleared date and TRIs.
- ICE will perform a terminate and replace process to convert legacy Protocol Single Name positions from 2003 Definitions to 2014 Definitions. ICE will reach out directly to Clients who have Protocol Single Name positions which need to be converted.

ICE Link Client Clearing Reports

- The new ISDA Definition field will be added to the far right of the following ICE Link Client clearing reports:
 - Clearing Eligible Instruments
 - Clearing Activity
 - Cleared Positions
 - Clearing Trade Netting Report
 - Early End-of-Day Clearing Price Report
- ICE Link will release the new ISDA Definition field to production from August 4 and the field will be blank until September 22, except for the Clearing Eligible Instruments report which will have the ISDA Definition field populated from September 15.
- The ICE CDS Code logic, used by some Clients as an instrument key, will be updated to support the 2014 Definitions. Additional restructuring values (character 8) will be added. There will no change in the length of the ICE CDS Code.
- New restructuring values will be provided for the 2014 Definitions:
 - X = No Restructuring, 2014 ISDA Definitions
 - C = Full Restructuring, 2014 ISDA Definitions
 - E = Modified Modified Restructuring, 2014 ISDA Definitions
- The existing restructuring values will be associated with the 2003 Definition:
 - N = No Restructuring, 2003 ISDA Definitions
 - R = Full Restructuring, 2003 ISDA Definitions
 - O = Modified Modified Restructuring, 2003 ISDA Definitions

ICE Link GUI: New Trade Allege

- New ISDA Definitions and Transaction Type selection fields in the ICE Link GUI
- New fields may be set for New Trade Alleges or Matching Trade Submissions
- For Single Name CDS, the GUI/API Defaults to the Standard Transaction Type associated with the entity and defaults to the ISDA2014Credit definitions
- The GUI Reference Obligation field will default the Standard Reference Obligation if available (or RED preferred if no SRO is available)

CDS - Trade Entry: Single Name

CDS - Trade Entry

Trade Type: Corp/Sov/Muni (default)

Trade Direction: Buy Protection Sell Protection **My Institution is the SELLER**

My Trade Id:

My Legal Entity: TEST DEALER 1 Sales Person:

Counterparty: Clearing House:

Cpty. Institution: TEST - BRONZE DUMMY CREDIT UN Clearing House:

Cpty. Legal Entity: JINON [bronzecoopc_bronzecoopc]

Prime Broker: FCM:

PB Institution: FCM Institution:

PB Legal Entity: FCM Entity:

Reference Entity: Refresh Ref Data:

Standard:

Entity Name: LLOYDS BANK PLC

Entity Ticker: LLOYDBA Debt: SNR

Ref Ob: XSSNRREFOBL0 Restructuring: MMR

Definitions: ISDA2014Credit Trans. Type: StandardEuropeanFinancialCorporate

Trade Details

Notional (MM): 25 EUR Trade Date: 12-Jun-2014

Fixed Spread: 100 Effective Date: 13-Jun-2014

Traded Spread: 121 Sched Term Date: 20-Jun-2019

Upfront Points (%): First Pay Date: 20-Jun-2014

Upfront Fee: 191,850.95 EUR First Accrual Start Date: 20-Mar-2014

Upfront Fee Payer: Cpty Inst Pay Freq (MTH): 3

Upfront Fee Date: 17-Jun-2014 Initial Margin %:

Quotation Style: Traded Fixed Rate Margin Payer:

OK Cancel

ICE Link GUI: Alleged Trade View

- The New ISDA Definitions field will display in transaction and position General Terms tab in the ICE Link GUI
- The existing ISIN and Transaction Type field will display also display in the transaction and position details
- GUI Exports (Spreadsheet) will include the new Definitions value

General Terms | API Log

New Trade (Alleged) - Standard Created 09:55:14 Jun 12 2014 **Alleged** 09:55:14 Jun 12 2014

Recall Enrich Print

LLOYDS BANK PLC SNR
XSSNRREFOBLO

Add/View Comment Calculator View Proj. Margin

Parties Approvals Dealer

Buyer (Fixed Rate Payer): Test Dealer 1 [DL1]
Seller (Floating Rate Payer): Test Hedge Fund 1 [HFI]

Transaction Id: 213951972
A-C Type: N/A
Original Trade Id:

Allocation Details

Deal Id	Reg Ref	Clear	Confirm	Buyer	Seller	Amount(MM)	%	Upfront Fee	Upfront Fee Payer	Buyer Id	Seller Id
2139519...				hftbk	dl	25	100%	180,003.37 EUR	hftbk		

Notional(MM): 25 EUR **Trade:** 12-Jun-2014

Fixed Spread: 1% **Effective:** 13-Jun-2014

Traded Spread: 1.2% **Maturity:** 20-Jun-2019

Upfront Points: N/A

Recovery Price: N/A **Fixed Settlement:**

Restructuring: MMR **First Pay:** 20-Jun-2014

Definitions: ISDA2014Credit **First Accrual Start:** 20-Mar-2014

Initial Margin: No Margin **Pay Freq:** 3-MTH

Margin Payer:

Position Id: 213951972 **Upfront Fee:** 180,003.37 EUR

Quotation Style: Traded Fixed Rate **Upfront Fee Date:** 17-Jun-2014

RED Id: GLA888N1 **Fee Settlement Date:** N/A

ISB: XSSNRREFOBLO **EDD:** N/A

ICE CDS Code: SLLOYDSOU19ED100B **Fee Payer:** hftbk

Trans Type: StandardEuropeanFinancialCorporate

Additional Provisions:

Recovery Provision:

ICE Link Novation Consent

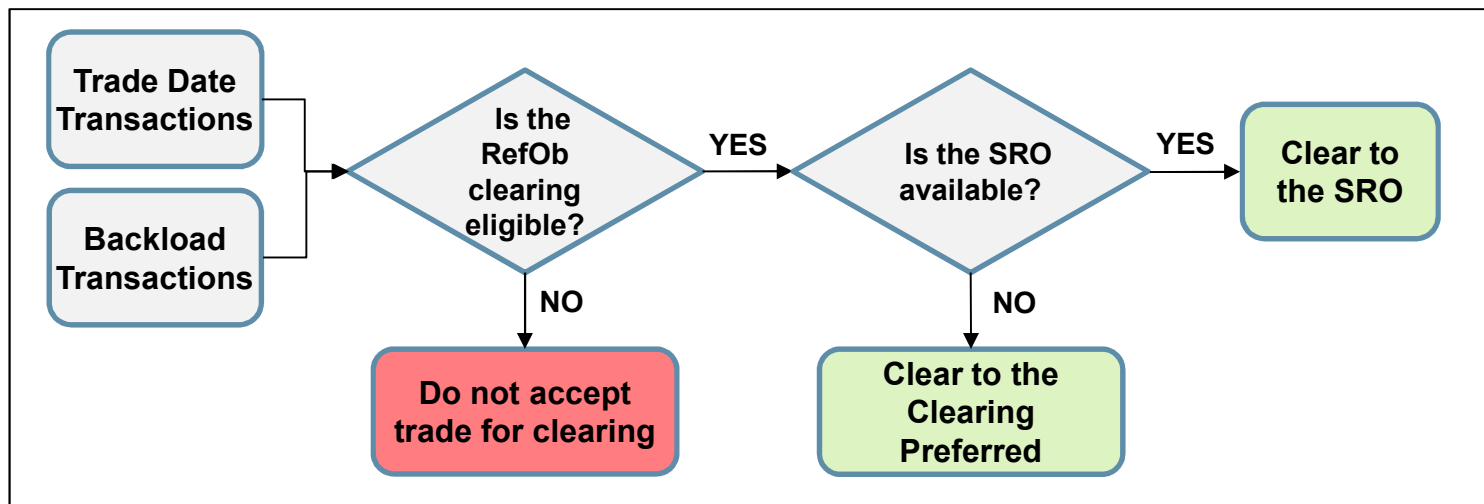
- The ISDA Definitions value set on the new Remaining Party facing Transferee (Step-in) position created out of a Novation Consent Equals Confirmed (C=C) transaction will not change from the value set on the underlying trade being Novated.
- Not allowing changes to underlying trade economics is in agreement with the Novation Consent Protocol.
- The Remaining Party and Transferee may amend the new position ISDA Definition value after the novation is consented and confirmed in the ICE Link
- In the Novation Consent workflow, ICE Link will automatically update the index Standard Terms Supplement (STS) date on the Remaining Party facing Transferee new trade if the underlying position in the novation is using the new ISDA 2014 Definitions.

Example of a Novation Standard Terms Supplement (STS) Date Updated or STS Date Not Updated:

Field	STS Date Updated	STS Date Not Updated
Master Doc Type	CDX	CDX
ISDA Definitions	ISDA2014Credit	ISDA2003Credit
Underlying Trade STS	31 January 2011	31 January 2011
Remaining Party – Transferee STS	20 September 2014	31 January 2011

Standard Reference Obligation (“SRO”) Publication

- ICE will continue to accept new trade date and backload transactions with a reference obligation that is on the Clearing Eligible List. This will allow protocol covered trades and transition period trades that are not SRO to be backloaded for clearing.
- 2014 Definition transactions cleared after SRO implementation for a given Reference Entity name and seniority will be booked on the SRO. If there is no SRO available, transactions will be booked to the Clearing Preferred.
- The Clearing Eligible List and Clearing Preferred for a given Reference Entity and seniority may be different from 2003 Definitions.
- The SRO will apply immediately to all existing cleared transactions upon publication of the SRO.
- The RefOb on existing cleared trades in the DTCC TIW will be updated to the SRO when there is a netting, transfer, rename, succession or bulk update event.
- SRO ISINs will be SNR: XSSNRREFOBL0 and SUB: XSSUBREFOBL0



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