



# INTRODUCTION OF NETTING OF GENERIC RATES INSTRUMENTS

## SUMMARY

These release notes covers the new functionality Netting of Generic Rates Instruments within the same account which was scheduled for implementation in the April 25<sup>th</sup> 2016 technical release. The release notes are focused on the business aspects of the services, for technical specification please review the technical release notes. The functionality will be switched on for members and clients May 16<sup>th</sup> 2016.

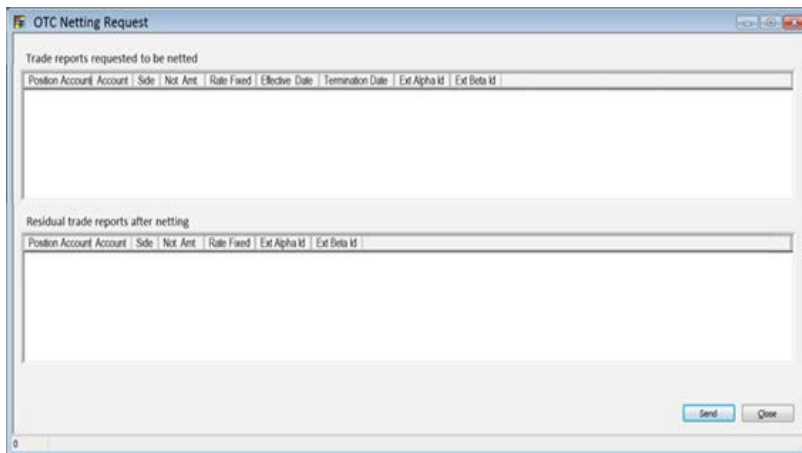
Netting of Generic Rates Instruments is a risk reduction service where trades can be removed without impacting the interest rate risk. Netting enables clients and members to terminate large amounts of Generic Rates Instruments contracts before their expiration.

## NETTING OF GENERIC RATES INSTRUMENTS

### The netting service and work flow

The service will support both full and partial netting of equal but opposite trades and trades with blended rates into one or more trades. The netting request could only be done on position account level and the request is done manually in the Genium INET Clearing Workstation by the member - on its own behalf or on behalf of its clients.

The member will, on own behalf or on behalf of its clients, select the trades that are eligible for netting from the OTC Reported Trades window and right click and select Net Trade Reports. If the netting criteria are met the OTC Netting Request window is displayed with the trades submitted for netting and also the new residual trade(s) if such trade(s) is populated, otherwise an error message is created.



If the netting request has fulfilled the criteria, the member executes the netting request by pressing Send. The netting request is processed immediately and the trade reports are terminated and a residual trade(s) is created, in case of partial netting. End of day, the OTC Manual Netting Report is created with all the netting events that have occurred during the business day. The OTC Manual Netting Report could be valuable material for the Manual Netting File that the member or the client(s) needs to send to MarkitWire so the netting request is processed in the MarkitWire application as well. The Manual Netting file should be sent to MarkitServ Custom Processing Team.

## ELIGIBLE NETTING CRITERIAS

Following criteria needs to be fulfilled so that IRS and OIS trade reports could be processed in a netting request: Series, termination date, business day convention, day count convention (of each of relevant fixed and/or floating leg), rollover date, rollover period, last rollover date, rate reset, reset days, payment set, start date and end date for each cash flow should be equal. Additional criteria for Shifting IRS are: Fixed leg rate and notional value (for both fixed and floating leg) should be equal.

Following criteria needs to be fulfilled so that Generic FRA trade reports could be processed in a netting request: Series, fixing date, effective date, termination date, day count convention and the effective date should not been passed.

A general criterion for the netting request is that the position account should be equal for all trade reports.

## TEST SYSTEM

External test system 1 (EXT1) will have the Netting of Generic Rates Instruments available as of 29<sup>th</sup> of April 2016.

## COSTS

Fee per terminated trade, regardless of notional amount, is 250 SEK.

## CONTACTS

Please contact Fixed Income Sweden for questions about the Netting of Generic Rates Instruments:

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