

ISDA IRD Definition Changes to Key Definitions & Provisions 2021

LANDSCAPE

In June 2021, ISDA published revised IRD definitions and provisions to be implemented as the new market standards for interest rate derivatives starting October 4, 2021. [Not a stringent timeline].

These key definition and provision changes encompass:

- Calculation Agent Provisions
- Days, Dates, and Periods
- Calculation Of Fixed and Floating Amounts
- Floating Rate Options
- RFR Conventions
- Fallbacks
- Exercise of Swaptions / Optional Early Terminations
- Cash Settlement Provisions [Received the most changes]
- Currency Provisions

Tier 1 Global Bank CASE STUDY

BACKGROUND

This change impacted 1200+ master and individual agreement templates across products that needed to be reviewed, categorized, and updated.

SOLUTION

I. Document Comparison: 3000+ of the bank's templates manually reviewed and compared against the new ISDA template to identify changes. 1200+ templates required amendments / updates.

II. Template Updates & Creation: New templates were drafted, and older templates were updated with the changes in consultation with Dentons Law Firm.

III. Review Process: All new drafted / updated templates were reviewed by the bank's Legal and Compliance team.

IV. Categorization: Templates were categorized per the changes implemented for eClerx's IT team to set up into the bank's systems.

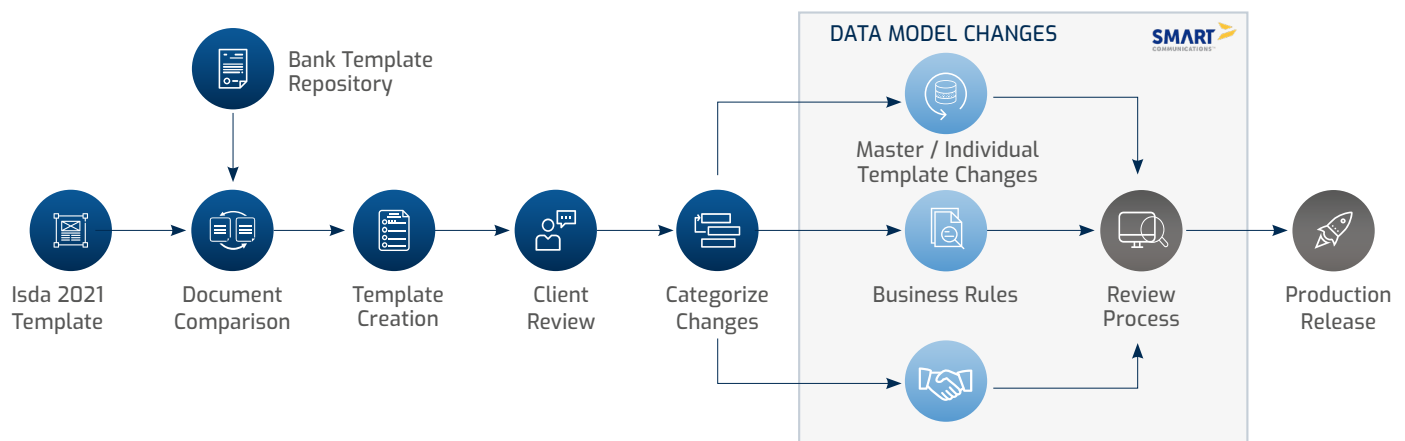
V. Legal Team Review: The bank's Legal and Compliance team reviewed and approved all templates once they were in their system.

VI. Production Release: New templates deployed for manual, semi-automated, and STP drafting.

OUTCOME

- Holistic review completed by experienced SMEs pinpointing the exact changes required
- Collaboration with clients' legal and compliance teams to perform UAT testing and validation checks

2021 ISDA IRD Definitions – Template Modification Approach



Document Comparison

- We compared the bank's repository and new ISDA 2021 template to identify:
 - I. Changes available in the ISDA template but not available in the bank's templates
 - II. Clauses / sections available in the bank's template but not available in the ISDA 2021 template
 - III. Clauses / sections available in both the ISDA and bank templates where the prose and verbatim has changed
- Highlighted differences to validate the changes
- Prioritized differences based on economic impact

Categorization

- **Data model changes**
 - I. Amended XSD / DTD to re-build relevant classes and properties
 - II. Altered the root object class and built the super data model class to cater to business logic
- **Master / individual agreement template changes**
 - I. Changes in nomenclature
 - II. Implemented clause content changes and updated script libraries to reflect business changes across templates
 - III. Designed new and / or modified master / individual agreement templates
- **Business rules**
 - I. Added and modified fields
 - II. Tested the data model to validate business logic

Template Updates & Creation

- In consultation with Dentons Law Firm, eClerx created all of the templates
- All definitions and provisions were updated per the ISDA template
- Missing prose and verbatim added in the new templates

Review Process

- All templates were reviewed thoroughly by the bank's legal and compliance department before being integrated into the bank's systems

Legal Team Review & Production Release

- The bank's Legal and Compliance team reviewed and approved the templates uploaded in their systems, which were then released for use in STP systems and semi-automated or manual drafting
 - I. Approved templates were utilized in day-to-day operations for manual drafting
 - II. For semi-automatic / STP drafting, templates were configured in SmartDX and other internal systems

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