

# Preparing for Credit Consent = Confirmation


July 2010



markitSERV™

*A joint service from DTCC and Markit*

## How to ask a question

- We will be taking text questions throughout the session and will address as many as time permits at the end of the presentation.
- To submit a question, click on the chat symbol from the right side menu  and type in your question.
- From the Select Recipient dropdown menu on the bottom right corner, select “Q&A Group.”
- Click on Send.
- We will compile responses to any questions that we don’t get to during the session, and distribute to all attendees.
- During the Q&A session, we will also be conducting a few ad hoc polling questions about your participation in the OTC derivatives marketplace. We will distribute the anonymous compiled responses to all attendees so you can get a feel for how your peers are participating.

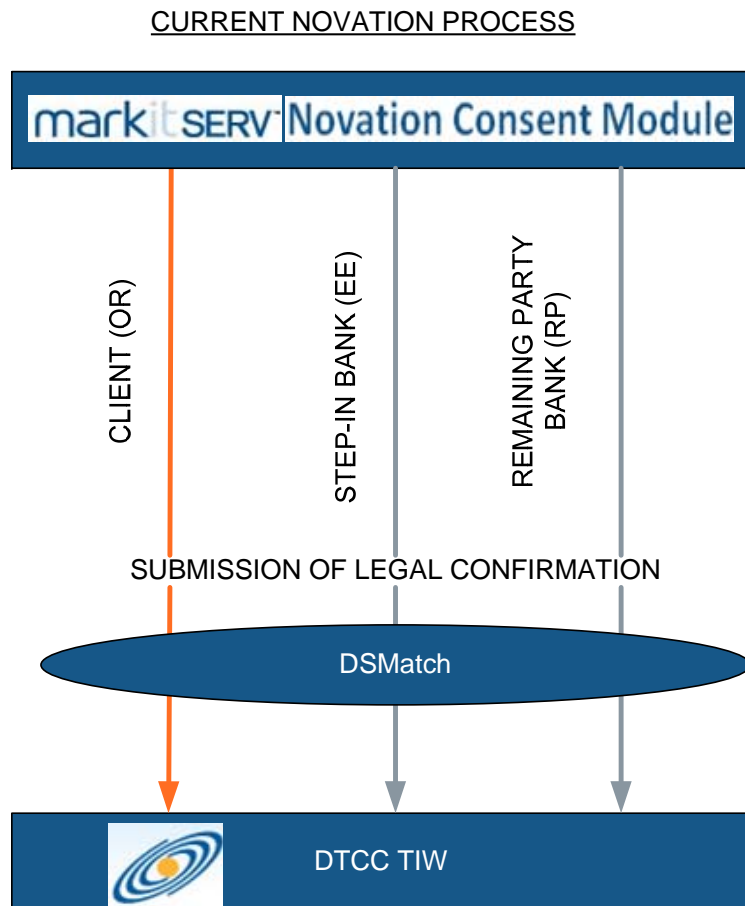
# Agenda

- **Introductions:** Jim McLoughlin, head of credit product management
- **C=C presentation:** Kunal Kapur, vp product management
- **Credit C=C NCM demonstration:** John Dimeglio, vp account management
- **Q&A**

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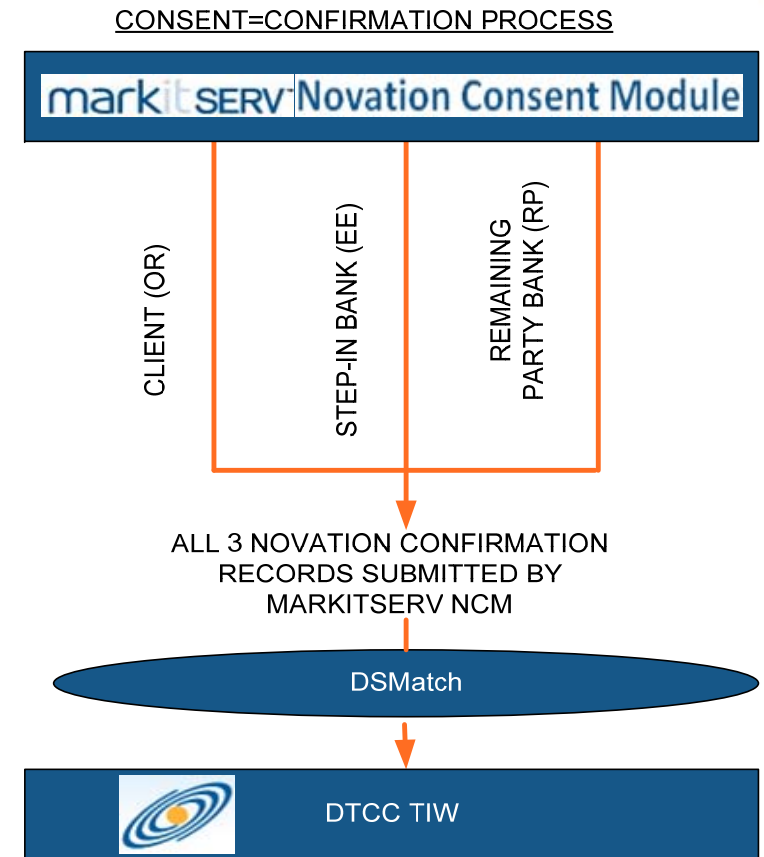
# Current credit novation consent process



- Two-step process
  - Consent
  - Confirmation
- All three legs are sent separately to DSMatch for confirmation and further submission to the TIW.
- At present, ORs can elect to generate their confirmation to DSMatch or have NCM send on their behalf.

# Credit Novation Consent = Confirmation overview

- The aim of Credit Novation Consent = Confirmation (C=C) is to replace the current two-stage process of consent followed by confirmation with an automated, single-step process for parties to provide their consent and legal confirmation to a novation.
- This was outlined in the letter to the Federal Reserve Bank in July 2009, when signatories committed to change the current novation process so that the action of consent for eligible trades would achieve a valid confirmation.
- This follows a series of commitments made by the Operations Steering Committee, in conjunction with both the ISDA Board Oversight Committee and the Credit Steering Committee to significantly improve novation processing.
- MarkitSERV Go-Live for C=C is 30 September 2010.



## Consent = Confirmation Eligibility

- Any party that novates a credit derivative position will be impacted by the September 30<sup>th</sup> Go-Live for C=C.
- **Eligibility**
  - Both Transferee (EE) and Remaining Party (RP) must be members of the Fed 14.\*\*\*
  - Underlying trade must be confirmed and certain in the TIW.
  - There must be sufficient notional on the underlying trade within the TIW to novate.
  - Underlying trades must not have any pending post-trade events.
  - The new trade must be confirmable under either STS or Matrix terms.

\*\*\*additional parties to be added to Fed 14 if/when agreed by industry

## Impact on credit novation trade processing

- **Eligibility Flag:** once a novation request is initiated on the NCM, the Eligibility Flag will automatically be displayed whether the request is:
  - C=C Eligible: “Consent =Confirmation”
  - Consent Only:”Consent Only”
  - Outside Request: “Consent Only Outside Novation”
- **Reservation of Notional:** Ensures that only available notional on the underlying trade can be novated
- **Message Suppression:** OR messages to DSMatch need to be suppressed as NCM will auto generate these messages and send to DSMatch once all three parties consent to the novation request. RP and EE are also required to suppress messages to DSMatch.

## Impact on credit novation trade processing (*cont'd*)

- **Unconfirmed Trades:** Where the underlying transaction is Unconfirmed in the TIW, the novation request is moved into “error” status. Firms have until 5:00 p.m. on T+1 to confirm the underlying transaction and re-administer consent.
- **Auto-Expiry:** If a novation request is not fully consented to by 5:00 p.m. EST on T+1, the request will auto expire. MarkitSERV will generate and send auto expiry notifications.

## Appendix (i): Contacts

- **MarkitSERV** Client Account Management [cag@markitserv.com](mailto:cag@markitserv.com)
- **Project Management Office** Olivia Millen [omillen@sapient.com](mailto:omillen@sapient.com)
- **Project Management Office** Robert Les [rles@sapient.com](mailto:rles@sapient.com)

## Appendix (ii): Glossary of Terms

- **NCM:** MarkitSERV Novation Consent Module
- **TIW:** Trade Information Warehouse
- **OR:** Transferor – Party stepping out of a novation
- **EE:** Transferee – Party stepping into a novation
- **RP:** Remaining Party to the novation
- **C=C:** Consent = Confirmation
- **C Only:** Consent only
- **Outside Request:** A novation request where the underlying trade is not in the TIW

## Appendix (iii): Fed 14 Members

- Bank of America Merrill Lynch
- Barclays Capital
- BNP Paribas
- Citigroup
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- JPM
- Morgan Stanley
- RBS
- Soc Gen
- UBS
- Wells Fargo

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