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OTC Clearing Hong Kong Limited

Solo Compression User guide



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Version Log

Updated Date	Document / Section	Description
Nov-2018	Version 1.0	Creation of Solo Compression User Guide
April-2019	Version 1.1 / Appendix	- Supplemented with the list of trade attributes used for identifying offsetting trade for compression
August-2020	Version 1.2	- Included Sponsored Settlement Member (SSM) to the Guide

1. Introduction

Solo Compression is a service provided by OTC Clearing Hong Kong Limited (**OTC Clear**) to its Clearing Members to manage their portfolio with OTC Clear.

The Solo Compression User Guide provides the Clearing Members the procedures to submit solo compression request.

Contents

The Solo Compression User Guide covers the timeline for the solo compression process, the actions of the parties involved, and the OTC Clear reports available in OASIS relevant to the solo compression process.

Solo Compression User Guide will be subject to further amendments and changes to cover the continuous expansion of Solo Compression services.

For any suggestions and comments about the content of the Solo Compression User Guide, please contact:

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2. Solo compression

Setup

OTC Clear offers solo compression (i.e. full termination of the selected Contracts) to Clearing Members as a service for the Clearing Members to manage their portfolio with OTC Clear. Clearing member who want to utilize the service need to submit service subscription request to OTC Clear. There is no subscription fee for the service. However, when Clearing Member utilize the service, there is a fee charge at a per trade basis. Please refer to the Clearing Procedure for the details of the charge.

Request Submission

On a daily basis, OTC Clear will publish a report in OASIS (**Web Offset Trade Details IRS report**) identifying all potential offsetting Contracts grouped by trade economics and assigned with a unique batch ID. Clearing Members shall review the report and select the Contracts that are completely offsetting in notional for compression.

To submit a solo compression request, Clearing Member need to send an email to OTC Clear Clearing and Settlement team attached with a solo compression request file (**request file**) in the same format as that of WEB Offset Trade Details IRS report. The request file should contain only the offsetting Contracts¹ the Clearing Member intended to be compressed.

After receiving the compression request, OCASS will initiate the compression workflow if the request file pass the validation checks. The status of the relevant trade will be update to “decleared” when the compression process completed.

Synchronization with ATRS

Once the compression request is completed in OCASS, there are two methods for Clearing Members to synchronize their trade records between ATRS and OTC Clear. Clearing Members can either subscribe to the ATRS Netting Synchronisation service (**Netting Sync**) or manually submit the records to the ATRS (**Manual Sync**) to synchronize the trade records. The Clearing Member shall inform OTC Clear the synchronize method they used.

¹ Including Client or SSM position

For Clearing Members opt for Manual Sync approach, OTC Clear will provide a report in OASIS (**WEB Compress ATRS Input IRS Report**) for the Clearing Member to manually submit to the ATRS to initiate the synchronization.

For Clearing Members opt to Netting Sync approach, the Clearing Members are required to sign up to the Netting Synchronisation service provided by the relevant ATRS and inform OTC Clear of their intention to have OTC Clear send the latest trade status to ATRS. Once informed by the Clearing Member, OTC Clear will update the system parameter of the Clearing Member in OCASS. Please note compression requests will not be completed if Clearing Members have not subscribed to the ATRS Netting Synchronisation service but indicated to OTC Clear that they have.

3. OASIS Reports related to solo compression

To support the Solo Compression service, three new Trade Reports will be provided to Clearing Members (1) to identify trades potentially eligible for solo compression and (2) to communicate the result of solo compression.

1. WEB Offset Trade Details IRS

This report sets out the contracts potentially eligible for Solo Compression.

Contracts will be grouped together with different OffSet Batch ID.

2. WEB Compress Batch Details IRS

This report sets out the the status of the contracts after submitting by Clearing Members for Solo Compression.

For Clearing Members who indicate for Manual Sync approach, OTC Clear will provide 1 extra Trade Reports for Clearing Members to submit to ATRS to synchronize the trade records.

3. WEB Compress ATRS Input IRS

This report sets out the compressed trade details of the contracts in the format for ATRS to process synchronization

4. Details of the solo compression reports

WEB Offset Trade Details IRS and WEB Offset Trade Details IRS_C² will capture contracts potentially eligible for solo compression. The report will be available at T-1 after EOD batch run. For further details of the reports, please refer to the report usage guide.

Column Name	Description
Member ID	Clearing Member ID
Origin	Type of Account
Affiliate/Branch	CCP ID of the affiliate/branch
Fund	CCP ID of the fund
Product Type	Product Type
Trade Ref_MW	Beta/Gama MarkitWire Trade ID
Offset Batch ID	Batch ID for the offset trade group
Trade ID	Trade ID for OTC Clear (CCP) Trade
Trade Start Date	Trade Start Date
Maturity Date	Trade Maturity Date (Adjusted Date)
Pay Leg Type	Pay Leg Type
Pay Leg Principal Ccy	Currency of the Pay Leg
Pay Leg Principal	Notional of the Pay Leg Principal
Rec Leg Type	Receive Leg Type
Rec Leg Principal Ccy	Currency of the Receive Leg
Rec Leg Principal	Notional of the Receive Leg Principal

WEB Compress Batch Details IRS and WEB Compress Batch Details IRS_C³ will capture trade status post compression. The report will be available at around 13:30. For further details of the reports, please refer to the report usage guide.

Column Name	Description
Member ID	Clearing Member ID
Origin	Type of Account
Affiliate/Branch	CCP ID of the affiliate/branch

² Including SSM

³ Including SSM

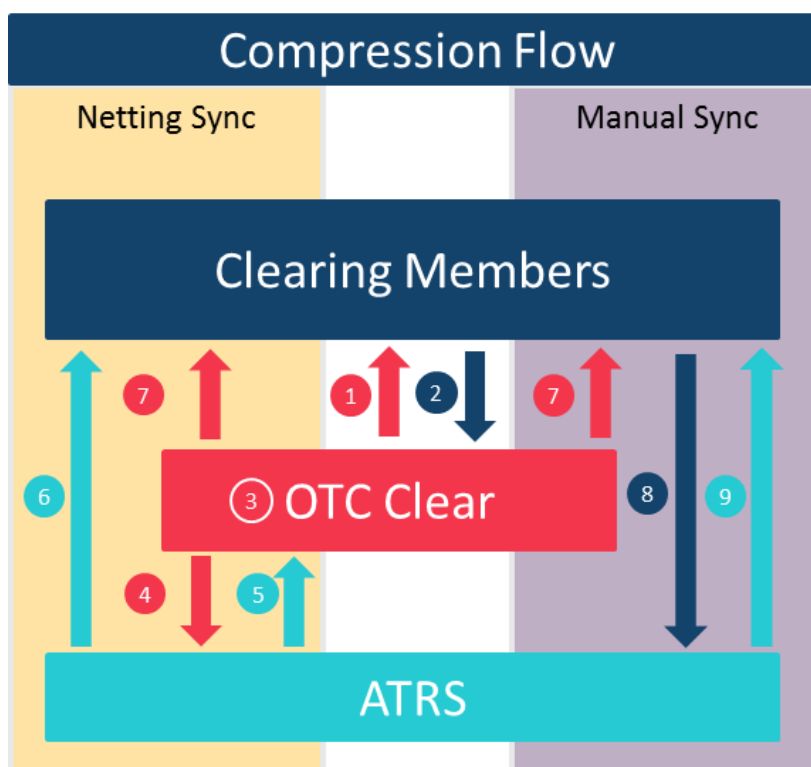
Fund	CCP ID of the fund
Product Type	Product Type
Trade Ref_MW	Beta/Gama MarkitWire Trade ID
Offset Batch ID	Batch ID for the offset trade group
Compression Category	Type of Comp[ression "Solo Compression"
Trade ID	Trade ID for OTC Clear (CCP) Trade
Compression Batch Count	Number of Trades processed within Offset Batch ID
ATRS to CCP Trade Status Response	Trade status at ATRS.
Compression Process Status	Compression process status for Offset Batch ID.

WEB Compress ATRS Input IRS is the report to capture all the trade details required by ATRS for manual synchronization. Clearing Members opts to go through manual synchronization may pass the file to ATRS directly.

5. Key Timeline

Date	Time:	Event
T-1	21:00	Web Offset Trade Details IRS report will be generated in the End of Day
T	10:30	<u>Deadline</u> for Clearing Member <u>to submit Solo Compression Request</u> to complete <u>on the same day</u>
	11:00	OTC Clear to perform eligibility check on the Solo Compression Request submit by Clearing Members
	11:30	OTC Clear starts Trade Compression Process for the Requests passed the eligibility Check
	13:30	OTC Clear publishes Web Compression Batch Details IRS report and WEB Compress ATRS Input IRS report (if applicable) to Clearing Members

6. Workflow Diagram



Flow Descriptions	
1	OTC Clear provides “WEB offset trade details IRS” report for CMs to identify potential Contracts for compression in OASIS at EOD.
2	Clearing Members consent OTC Clear to proceed compression by submitting designed file with Contract details
3	OTC Clear validates the eligibility of Contracts for compression and inform CMs result of the eligibility check, OTC Clear execute trade compression for Contracts passed the eligibility check
4	OTC Clear feeds the compression message to ATRS
5	ATRS returns the latest status of the Contracts OTC Clear
6	ATRS returns the latest status of the Contracts to Clearing Members
7	OTC Clear publishes “Web Compression Batch Details IRS” report to Clearing Member. For those Clearing Member inform OTC Clear using Manual Sync with ATRS, OTC Clear publishes an additional report “Web Compress ATRS Input IRS report” in OASIS.
8	Clearing Member submit the Web Compress ATRS Input IRS report to ATRS for record synchronization.
9	ATRS returns the latest status of the Contracts to Clearing Members

Appendix 1 - The list of trade attributes used for identifying potential offsetting trades for compression:

List of trade attributes:

- Product type
- Pay / Receive currency
- Fix / Float rate
- Coupon rate
- Coupon frequency
- Compounding (Yes / No)
- Compounding method
- Compounding frequency
- Rate index
- Date roll
- Roll type
- Date convention
- Payment period (beginning / end)
- Day count
- Payment holidays
- Settlement currency
- FX reset offset
- End Date
- Coupon period rule
- Reset offset
- Reset offset business day
- Reset roll
- Reset timing (beginning / end)
- Reset holidays

For the below trade attributes, only applicable if it is relevant to future cashflow:

- Start Date
- Is Stub
- Stub StartDate
- Stub LastDate
- Stub First Interpolation
- Stub Last Interpolation
- Interpolation Style
- Spread
- Is 1st Fixing Rate and its value
- Init Fixing
- Initi Fixing rest days
- Init Fixing cal
- Init Fixing Lag
- Prin exchange type (Initial/Final)
- Additional payment Amount

- Additional payment date
- Additional payment direction
- Additional Payment currencies