


RFR TRANSITION IN SUMMIT



SUMMIT TRICKS AND TRAPS

SERIES - 1 / ARTICLE - 11

JULY 27, 2022

By **GreenPoint Summit Team**

GreenPoint>
Summit

info@greenpointsummit.com

International Corporate Center, 555 Theodore Fremd Avenue, Suite A102 Rye, NY 10580

Summit supports the RFR transition at the individual trade level and in Bulk mode using the Bulk Transition utility.

The first step in performing RFR transition is to create an RFR transition configuration static, which contains details of mapping of the IBOR index to the RFR Index to which the trade needs to be transitioned. This configuration static also contains information about the spread that needs to be applied to the RFR Index trade to match the valuation of the IBOR trade prior to transition. The RFR Asset ID contains details of the RFR Index like resetting in Arrears, Fixing source, Calendar, etc.

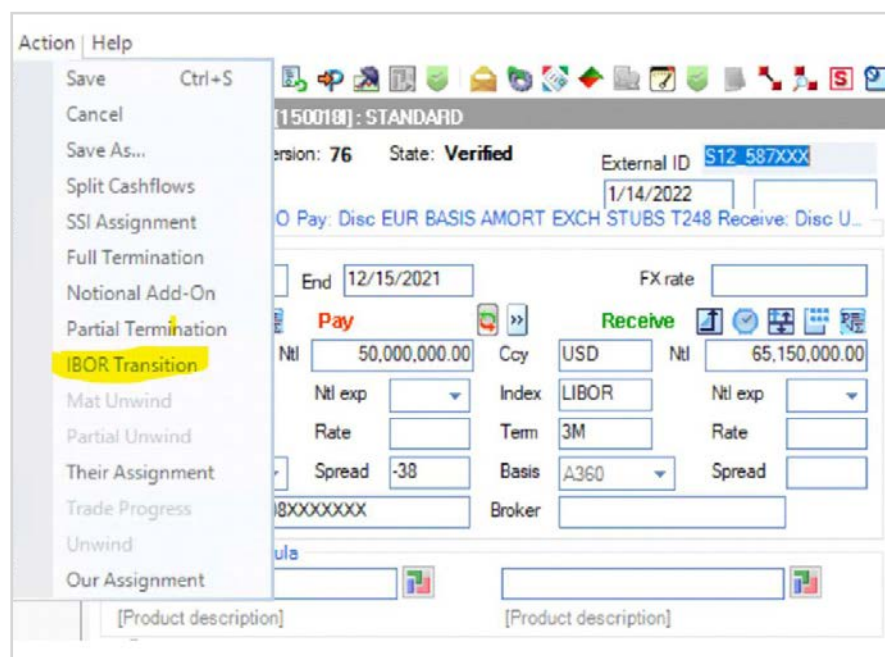
RFR Transition Configuration Definition - RFR_F : STANDARD							
Config ID	RFR_F			Version:	4	State:	LIVE
Description	TRADE TRANSITION						
IBOR Ccy	IBOR Index	IBOR Term	IBOR Source	RFR Index	RFR Term	RFR Asset Id	RFR Spread Σ
▶ EUR	EUR1M	1M	EURIBOR	ESTR	1D	ESTR1M	7.36
EUR	EUR3M	3M	EURIBOR	ESTR	1D	ESTR3M	12.29
EUR	EURIB	6M	EURIBOR	ESTR	1D	ESTR6M	18.86
GBP	LIB3M	3M	T3750	SONIA	1D	SONIA3M	11.93
GBP	LIBOR	6M	T3750	SONIA	1D	SONIA6M	27.66
USD	LIB3M	3M	T3750	SOFR	1D	SOFR3M	26.161
USD	LIBOR	6M	T3750	SOFR	1D	SOFR6M	42.826

Below are the steps performed in Summit for various RFR transition methods

1. Terminate and Create New Method:

In this method, the IBOR indexed trade (Parent) is terminated, and a new trade (Child) is created with RFR Index.

From Swap application window, Click on Action-> IBOR Transition.



The below-mentioned RFR Transition window opens. Select the checkbox “Transition to new RFR trade” and Transition Method as blank.

2. CCP Terminate and Create New

In this method, select Fallback Method as “ISDA” and RFR Fixing method as “Rate Averaging” in the RFR Transition action window.

From Swap application window, Click on Action-> IBOR Transition.

The below-mentioned RFR Transition window opens. Select the checkbox "Transition to new RFR trade" and Transition Method "CCP".

3. Standard Trade Amendment

The Trade Amendment method will modify the original IBOR trade. No new trade is created. The trade will have the RFR index applied for future periods.

From Swap application window, Click on Action-> IBOR Transition.

In the RFR Transition Action window, Uncheck Transition to new RFR trade and select Fallback Method as None.

ISDA Fallback Amendment with RFR Fixing Method as Rate Averaging

From the Swap application window, Click on Action-> IBOR Transition.

In this method, select Fallback Method as “ISDA” and RFR Fixing method as “Rate Averaging” in the RFR Transition action window.

ISDA Fallback Transition – Fallback Method

The screenshot shows the 'RFR Transition Action - [25592F] : STANDARD' window. The 'Fallback Method' dropdown is set to 'ISDA'. The 'Transition to new RFR trade' checkbox is unchecked. Other fields include 'From Date' (09/17/2020), 'RFR Start Date' (11/02/2020), 'Configuration' (MIXCFG), 'Apply RFR Transition Fee' (checked), and 'Transfer fees' (unchecked). Buttons for 'Next >' and 'Cancel' are visible at the bottom.

'Transition to new RFR trade' needs to be **unchecked**



NEW field – 'Fallback Method':

None → No fallback method. Standard Amendment transition is applied.

ISDA → ISDA Fallback Amendment protocol is triggered:

- Cashflows computed based on Dynamic Backward Shift
- New window 'ISDA Fallback Details' is enabled at schedule level
- Reset option is available

ISDA Fallback Transition – RFR Fixing Method

The screenshot shows the 'RFR Transition Action - [25592F] : STANDARD' window. The 'Fallback Method' dropdown is set to 'ISDAFALL' and the 'RFR Fixing' dropdown is set to 'RAVG'. The 'Transition to new RFR trade' checkbox is unchecked. Other fields include 'From Date' (09/17/2020), 'RFR Start Date' (11/02/2020), 'Configuration' (MIXCFG), 'Apply RFR Transition Fee' (checked), and 'Transfer fees' (unchecked). Buttons for 'Next >' and 'Cancel' are visible at the bottom.

'Fallback Method' needs to be **ISDA**



NEW field – 'RFR Fixing':

Rate Averaging

- Rate fixing is performed using **SUMMIT** average rate
- Dynamic Backward Shift methodology is used to generate the observation period

ISDA Fallback

- Rate fixing is performed using **ISDA** fallback rates imported from an External Provider
- ISDA fallback rates are stored in a dedicated table in the Auto Rate Reset app

ISDA Fallback Amendment with RFR Fixing method as ISDA Fallback

In this method, Select the Fallback method as “ISDAFALL” and RFR Fixing method as “ISDA” in the RFR Transition Action window.

RFR Transition Action - [185262I] : STANDARD *

Window Help

App Config ▾

From Date: 1/14/2022 Configuration: RFR_CFG1 Transition to new RFR trade

RFR Start Date: 10/17/2022 Fallback Method: ISDAFALL Apply RFR Transition Fee

RFR Fixing: ISDA Transfer fees

Next > Cancel

RFR Transition using Bulk Transition:

The RFR Transition Bulk Management application in Summit allows you to transition multiple IBOR index trades to RFR trades at once. Use the filters to load the verified trades on which you want to perform the RFR Transition action.

When performing RFR Transition Bulk action, the impact on the trades is the same as when action is applied at the trade level. When loading a filter in the RFR Transition Bulk Management application that contains both transitioned and non-transitioned trades, only the non-transitioned trades are displayed. All the transition methods, which can be performed at the trade level, can be performed in Bulk mode as well.

ISDA Fallback Transition – RFR Transition Bulk Tool

RFR Transition Bulk Management - STANDARD *

Parameters

Filter: ISDA_FILTER >> From Date: 09/17/2020 RFR Transition Config ID: MIDCFG Fallback method: ISDAFALL Load Edit Fees Apply

CV ID: MAIN PG ID: Apply RFR Transition Fee Transition to new RFR trade RFR Fixing: RAUG Load Pending

Select	Status	Trade ID	Trade Type	Trade s	Start Date	End Date	Notional/Le	Ccy/L	Index/Le	Term	Calend	Ref sour	Reset	Notional(Le 2)	Σ Ccy	Index/Le	Term/Le	Calen	Res	Ref source
<input checked="" type="checkbox"/>		RFRTRS 25592F	SWAP	VER	02/01/2019	12/29/2023	10,000,000.00	JPY	LIBOR		TK1	TONA	ARR	10,000,000.00	JP	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25601F	SWAP	VER	02/01/2019	12/29/2023	1,000,000.00	TST	TSTIN		TK1	TSTSC	ARR	1,000,000.00	TS	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25733F	MM	VER	04/23/2019	04/23/2025								3,000,000.00	JP	LIBOR		TL1	ARR	TONARA
<input checked="" type="checkbox"/>		RFRTRS 25749F	SWOPT	VER	10/22/2020	10/27/2023	2,000,000.00	JPY	TONAR	1D	TK1	TONA	ARR	2,000,000.00	JP	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25750F	SWOPT	VER	10/22/2020	10/27/2023	2,000,000.00	JPY	TONAR	1D	TK1	TONA	ARR	2,000,000.00	JP	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25751F	SWOPT	VER	10/21/2019	10/27/2023	2,000,000.00	JPY	LIBOR		TK1	TONA	ARR	2,000,000.00	JP	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25789F	SWOPT	VER	03/23/2020	10/23/2023	2,000,000.00	JPY	LIBOR		TK1	TONA	ARR	2,000,000.00	JP	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25790F	SWOPT	VER	03/23/2020	10/23/2023	5,000,000.00	JPY	LIBOR		TK1	TONA	ARR	5,000,000.00	JP	FXED				
<input checked="" type="checkbox"/>		RFRTRS 25798F	EXOTIC	VER	02/01/2019	12/29/2023	5,000,000.00	JPY	LIBOR		TK1	TONA	ARR	3,000,000.00	JP	LIBOR		TK1	ARR	TONARA
<input checked="" type="checkbox"/>		RFRTRS 25802F	IRG	VER	02/01/2019	12/29/2023								3,000,000.00	JP	LIBOR		TK1	ARR	TONARA
<input checked="" type="checkbox"/>		RFRTRS 25841F	MM	VER	02/01/2019	12/29/2023								20,000,000.00	JP	LIBOR		TK1	ARR	TONARA
<input checked="" type="checkbox"/>		RFRTRS 25897F	SWOPT	VER	10/22/2020	10/27/2023	2,000,000.00	JPY	TONAR	1D	TK1	TONA	ARR	2,000,000.00	JP	FXED				

NEW fields – 'Fallback Method' and 'RFR Fixing'

Supported trade types:

Swap
Money market
Commercial Lending trade

Exotic
Cap and Floor
Trades with simple formulas

Callable Swap
Swaption



GreenPoint> Summit

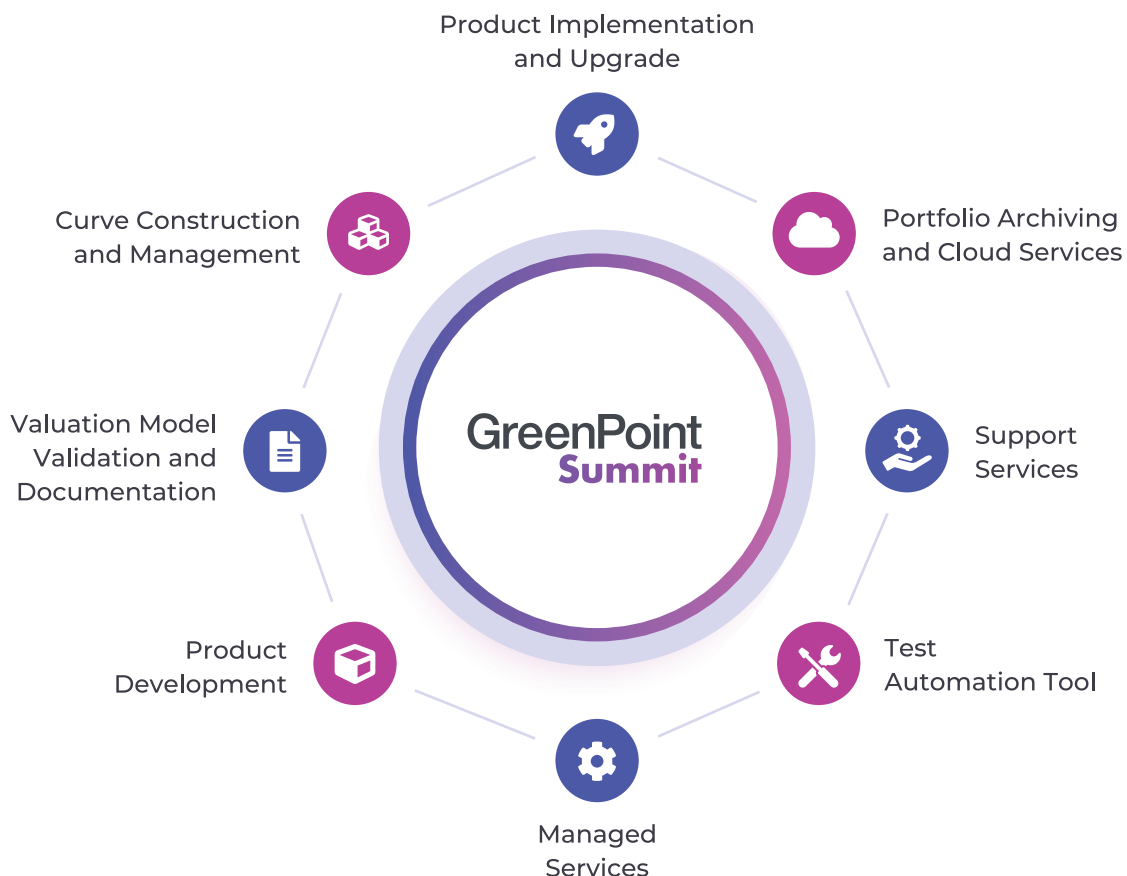
GreenPoint> Financial

ABOUT GREENPOINT SUMMIT

- > GreenPoint Summit is a comprehensive platform encompassing new implementations, version and module upgrades, product and application development, test automation, cloud migration, and system maintenance
- > Our quantitative services and platforms include Libor Replacement Simulation Tool (LRST), curve creation, recreation and management, model validation and documentation, and creation of challenger models for regulatory compliance.
- > Our summit professionals also provide data porting, migration and management as well as cloud services.
- > Over the last year we have completed several projects including full system upgrades, Libor/RFR migration, replacement of valuation frameworks, and custom code creation and testing for large global banks and insurers.

ABOUT GREENPOINT FINANCIAL

- > GreenPoint Financial is a division of GreenPoint Global, which provides software-enabled services, content, process and technology services, to financial institutions and related industry segments.
- > GreenPoint is partnering with Finastra across multiple technology and services platforms.
- > Founded in 2006, GreenPoint has grown to over 500 employees with a global footprint. Our production and management teams are in the US, India, and Israel with access to subject matter experts.
- > GreenPoint has a stable client base that ranges from small and medium-sized organizations to Fortune 1000 companies worldwide. We serve our clients through our deep resource pool of subject matter experts and process specialists across several domains.
- > As an ISO certified company by TÜV Nord, GreenPoint rigorously complies with ISO 9001:2015, ISO 27001:2013, and ISO 27701:2019 standards.





Sanjay Sharma, PhD
FOUNDER AND CHAIRMAN



Sanjay provides strategic and tactical guidance to GreenPoint senior management and serves as client ombudsman. His career in the financial services industry spans three decades during which he has held investment banking and C-level risk management positions at Royal Bank of Canada (RBC) Goldman Sachs, Merrill Lynch, Citigroup, Moody's, and Natixis.

Sanjay is the author of "Risk Transparency" (Risk Books, 2013), Data Privacy and GDPR Handbook (Wiley, 2019), and co-author of "The Fundamental Review of Trading Book (or FRTB) - Impact and Implementation" (Risk Books, 2018).

Sanjay was the Founding Director of the RBC/Hass Fellowship Program at the University of California at Berkeley and has served as an advisor and a member of the Board of Directors of UPS Capital (a Division of UPS). He has also served on the Global Board of Directors for Professional Risk International Association (PRMIA).

Sanjay holds a PhD in Finance and International Business from New York University and an MBA from the Wharton School of Business and has undergraduate degrees in Physics and Marine Engineering. As well as being a regular speaker at conferences, Sanjay actively teaches postgraduate level courses in business and quantitative finance at EDHEC (NICE, France), Fordham, and Columbia Universities.



Marcus Cree
MANAGING DIRECTOR AND HEAD OF
FINANCIAL PRODUCTS AND SERVICES



Marcus heads GreenPoint Financial Technology and Services and has conceptualized and directed design and management of its Risk Management and Treasury and Capital Markets platforms. These areas encompass lending (including CECL), sustainable finance, and LIBOR/RFR transition for enterprise systems.

Marcus has over two decades of experience in Risk Management, working on both the buy and sell sides of the financial services industry. He has worked on capital markets and lending risk technology and management projects in over 50 countries and brings a unique perspective on the nuances and differences across regulatory regimes around the world.

Before joining GreenPoint, Marcus was a member of the strategic leadership team for risk management at Finastra for several years. Prior to Finastra, Marcus was the US Head of Risk Solutions for FIS. He started his professional career at Deutsche Bank in London as a Quantitative Analyst.

Marcus is a prolific conference speaker, thought leader, and author in risk management spanning market, credit, and liquidity risks. He also publishes papers on sustainability and green finance regularly.

Marcus graduated from Leicester University in the UK, after studying Pure Mathematics, Psychology, and Astronomy. Since graduation, Marcus has continually gained risk-specific qualifications including the FRM (GARP's Financial Risk Manager) and the SCR (GARP's Sustainability and Climate Risk). Marcus's latest academic initiative is creating and teaching a course on Green Finance and Risk Management at New York University's Tandon School of Engineering.



Mothiram K
DELIVERY HEAD - TCM



**Maraimani
Chakkaravarthy**
DELIVERY HEAD -
GREENPOINT SUMMIT