



NEWS RELEASE
For Immediate Release

ISDA Publishes Updated EMIR Classification Letter

TOKYO, April 13, 2016 – The International Swaps and Derivatives Association, Inc. (ISDA) has published an updated classification letter that will enable counterparties to notify each other of their status for clearing and other regulatory requirements under the European Market Infrastructure Regulation (EMIR). The updated letter covers the clearing obligation for certain interest rate derivatives classes denominated in European Economic Area (EEA) currencies and certain credit default swap (CDS) index classes.

Under EMIR, the application of the clearing obligation depends on the categorization of each counterparty under a specified taxonomy. This categorization will determine whether a counterparty is required to clear and, if so, the time frame for compliance. The ISDA EMIR Classification Letter allows market participants to bilaterally communicate their status to their counterparties by answering a series of questions.

“The European Union’s clearing obligation is expected to be extended to cover CDS index classes, as well as interest rate derivatives in a variety of additional EEA currencies. This comes on top of an existing mandate to clear interest rate derivatives denominated in G-4 currencies, which will be phased in from June 2016. As a result, it’s important that market participants can communicate their clearing status to counterparties. The ISDA EMIR Classification Letter enables counterparties to bilaterally make these representatives in an efficient way,” says Katherine Darras, ISDA’s acting General Counsel.

The latest EMIR Classification Letter updates an [earlier version published in July 2015](#), which covered draft regulatory technical standards (RTS) on the clearing obligation for G-4 rates. Final rules were subsequently published, and the first G-4 rates clearing mandate will come into effect for Category 1 firms from June 2016.

The European Commission (EC) has also endorsed final draft RTS that require certain classes of CDS index to be cleared. In addition, the European Securities and Markets Authority has published a final draft RTS proposing a clearing obligation for interest rate derivatives denominated in certain EEA currencies. That RTS has not yet been endorsed by the EC.

The updated letter makes several substantive amendments, including:

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- Aligning the definition of ‘Category 1 entity’ to the one used in the final, published version of the G-4 interest rate products RTS; and
- Providing the ability for entities to make classifications in respect of the draft RTS for EEA rates and the RTS on CDS index classes.

The letter may be further expanded in the future to cover other product classes that may become subject to the clearing obligation.

Parts of the letter replicate elements of the classification tools that currently exist on ISDA Amend, an online service jointly developed by ISDA and Markit. The online service includes the EMIR Counterparty Classification Tool and the EMIR Clearing Classification Tool for G-4 interest rate derivatives. ISDA Amend will be expanded to cover the new classifications. The bilateral version can be used by parties that do not subscribe to ISDA Amend.

The ISDA EMIR Classification Letter and accompanying Guidance Note are available on the [ISDA's EMIR Focus page on ISDA's website](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

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