

Statistics Division, Information and Statistics Department

August 16, 2021

Re: Clarification regarding the reporting of interest rate transactions cleared by a third party

We have recently seen an increase in reporting of interest rate transactions cleared by a third party within the framework of reporting to the Bank of Israel based on the Bank of Israel (Information regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016 and the Bank of Israel (Information from certain financial institutions regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016.

We would like to clarify the reporting guidelines related to such transactions. When a transaction is executed between parties (hereinafter, “the original transaction”) and afterward one (or both) of the parties to the transaction is interested in transferring the counterparty risk inherent in the transaction to a third party (hereinafter, “the clearing entity”), the following report fields are to be changed:

- Beneficiary identifier type (Field 15)—fill in the type of identifier of the counterparty to the original transaction.
- Beneficiary ID (Field 16)—fill in the ID number of the counterparty to the original transaction.
- Beneficiary name (Field 17)—fill in the name of the counterparty to the original transaction.
- Identifier of counterparty 2 type (Field 21)—fill in the type of identifier of the entity against whom the exposure in respect of the transaction is managed (it should be emphasized that a change in this field is not required in cases in which the exposure is managed against the counterparty in the original transaction).
- Identifier of counterparty 2 (non-reporting counterparty) (Field 22)—fill in the ID number of the entity against whom the exposure in respect of the transaction is managed (it should be emphasized that a change in this field is not required in cases in which the exposure is managed against the counterparty in the original transaction).
- Non reporting Counterparty Name (Field 23)—fill in the name of the entity against whom the exposure in respect of the transaction is managed (it should be emphasized that a change in this field is not required in cases in which the exposure is managed against the counterparty in the original transaction).
- Clearing status (Field 33) — report that the transaction is cleared via a third party (mark Y)

- Identifier type (Field 34)—fill in the type of identifier of the clearing entity (in accordance with the identifier reported in Field 35— Identifier of clearing member firm).
- Identifier of clearing member firm (Field 35)—fill in the identifier of the clearing entity.
- Clearing timestamp (Field 36)—Report the time that the transaction was cleared.

For example, Bank A executed an IRS transaction with Bank B. Afterward, Bank A is interested in transferring the counterparty risk to a central counterparty (CCP), which will be denoted in the following as C. The report by Bank A on the change in the transaction details is:

- Date of original transaction
- Sides to the transaction—Bank A and Bank C
- Details of clearer: Bank C
- Details of beneficiary: Bank B

A detailed example of reporting in respect of transactions that have been cleared may be found on the Bank of Israel website. It is emphasized that these guidelines are valid solely for **interest rate** transactions.

Sincerely,

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Head of the Forex Market Unit

Information and Statistics Department