

# Pre-termination of IRS Contracts

[See previous W5 version guide](#)

## **PURPOSE**

The document shows the detailed procedure for handling pre-termination of IRS contracts.

## **WHY IS THIS IMPORTANT?**

Both party of an IRS can agree to bring forward the maturity date of an IRS contract. It may also happen that such early termination applies partially and a residual balance remains in force. The trade(s) recorded in the system need(s) to reflect such changes so that accounting and cash flow are correctly processed.

## **PROCEDURE**

Note: Notional IRS does not need to perform steps 1 to 5.

1. To pre-terminate the IRS, book the pre-termination as "Final Principal Exchange" in the Maintain Interest Rate Swap screen. Key in End Date, VDate, Notional Principal, Interest Rate, Reset Date and Principal amount. In this example, we will book the pre-termination for 14-Apr-2020. Tick the box next to Pay and Receive and click Update.

	<input checked="" type="checkbox"/> Pay	<input checked="" type="checkbox"/> Receive
	Libor 3 mth ▾	Libor 3 mth ▾
Ccy	SGD	SGD
Leg Type*	Final Principal Exchange ▾	Final Principal Exchange ▾
Start Date	dd/mm/yyyy	dd/mm/yyyy
End Date*	14/04/2020	14/04/2020
VDate*	14/04/2020	14/04/2020
Notional Principal	10,000,000.00	10,000,000.00
Interest Rate*	3.500000	2.800000
Accrual Method	▾	▾
Reset Date*	10/04/2020	10/04/2020
Principal	10,000,000.00	10,000,000.00
Interest		
Auto Recomp*	Yes ▾	Yes ▾
Skip Holidays	<input type="checkbox"/>	

2. A repayment line will be inserted into the IRS schedule for date 14-Apr-2020.

Maintain Interest Rate Swap

Cancel

Save

Revert

Book/Unbook

Action

	VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total	R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF
<input type="checkbox"/>	<div><div></div><div>14 Dec 2017</div></div>	IRS100001/001	SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD	IRS100001/001	10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	<div><div></div><div>14 Jun 2018</div></div>	IRS100001/002	SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD	IRS100001/002	10,000,000.00	2.800000	139,616.44	0.00
<input type="checkbox"/>	<div><div></div><div>14 Dec 2018</div></div>	IRS100001/003	SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD	IRS100001/003	10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	<div><div></div><div>14 Jun 2019</div></div>	IRS100001/004	SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD	IRS100001/004	10,000,000.00	2.800000	139,616.44	0.00
<input type="checkbox"/>	<div><div></div><div>14 Dec 2019</div></div>	IRS100001/005	SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD	IRS100001/005	10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	<div><div></div><div>14 Apr 2020</div></div>		SGD	10,000,000.00	3.500000	-116,986.30	-10,000,000.00	-10,116,986.30	SGD		10,000,000.00	2.800000	93,589.04	10,000,000.00
<input type="checkbox"/>	<div><div></div><div>14 Jun 2020</div></div>		SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD		10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	<div><div></div><div>14 Dec 2020</div></div>		SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD		10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	<div><div></div><div>14 Jun 2021</div></div>		SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD		10,000,000.00	2.800000	139,616.44	0.00
<input type="checkbox"/>	<div><div></div><div>14 Dec 2021</div></div>		SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD		10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	<div><div></div><div>14 Jun 2022</div></div>		SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD		10,000,000.00	2.800000	139,616.44	0.00

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3. Click Save to save the IRS schedule. At the prompt, click Yes to confirm.

4. System will return you to Amend Interest Rate Swap screen. Click on Structure to go back to Maintain Interest Rate Swap screen.

5. Tick the box next to 14-Apr-2020 and click Book/Unbook to book the pre-termination trade. Once it is booked, you will see the trade ID assigned to it.

6. Delete all the future repayments from the existing IRS schedule so no journals will be generated in the future for this trade. Click on the Edit button of the periodic date individually, the details will be populated at the fields at the bottom of the page. Click Delete.

Maintain Interest Rate Swap

Cancel

Save

Revert

Book/Unbook

Action

	VDate	P TradeID	P Ccy	Borrowings	P Rate	P Interest CF	P Principal CF	P Total	R Ccy	R TradeID	Lending Balance	R Rate	R Interest CF	R Principal CF
<input type="checkbox"/>	14 Dec 2017	IRS100001/001	SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD	IRS100001/001	10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	14 Jun 2018	IRS100001/002	SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD	IRS100001/002	10,000,000.00	2.800000	139,616.44	0.00
<input type="checkbox"/>	14 Dec 2018	IRS100001/003	SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD	IRS100001/003	10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	14 Jun 2019	IRS100001/004	SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD	IRS100001/004	10,000,000.00	2.800000	139,616.44	0.00
<input type="checkbox"/>	14 Dec 2019	IRS100001/005	SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD	IRS100001/005	10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	14 Apr 2020	IRS100001/006	SGD	10,000,000.00	3.500000	-116,986.30	-10,000,000.00	-10,116,986.30	SGD	IRS100001/006	10,000,000.00	2.800000	93,589.04	10,000,000.00
<input type="checkbox"/>	14 Jun 2020		SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD		10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	14 Dec 2020		SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD		10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	14 Jun 2021		SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD		10,000,000.00	2.800000	139,616.44	0.00
<input type="checkbox"/>	14 Dec 2021		SGD	10,000,000.00	3.500000	-175,479.45	0.00	-175,479.45	SGD		10,000,000.00	2.800000	140,383.56	0.00
<input type="checkbox"/>	14 Jun 2022		SGD	10,000,000.00	3.500000	-174,520.55	0.00	-174,520.55	SGD		10,000,000.00	2.800000	139,616.44	0.00

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7. After deleting all the future repayments, click Save to save the schedule.

8. In the case of a partial early termination, repeat steps 1 to 7. For the residual balance, book a new IRS trade with appropriate interest payable and receivable. Make some notes on this trade to reference to the original trade. You can also attach the partial early termination letter to the original trade to indicate that it has been partially terminated.

FREQUENTLY ASKED QUESTIONS

RELATED INFORMATION

[Maintain Interest Rate Swap](#)

CHANGE HISTORY

Date	By	Changes
13-Jan-2016	TS	Created.
8-Jun-2016	Richard	Proofread.
8-Jan-2020	Lyra	Updated screenshots.
16-May-2023	TS	Updated to W6 instructions and screenshots.