# Pre-termination of IRS Contracts

See previous W5 version guide

# **PURPOSE**

The document shows the detailed procedure for handling pretermination of IRS contracts.

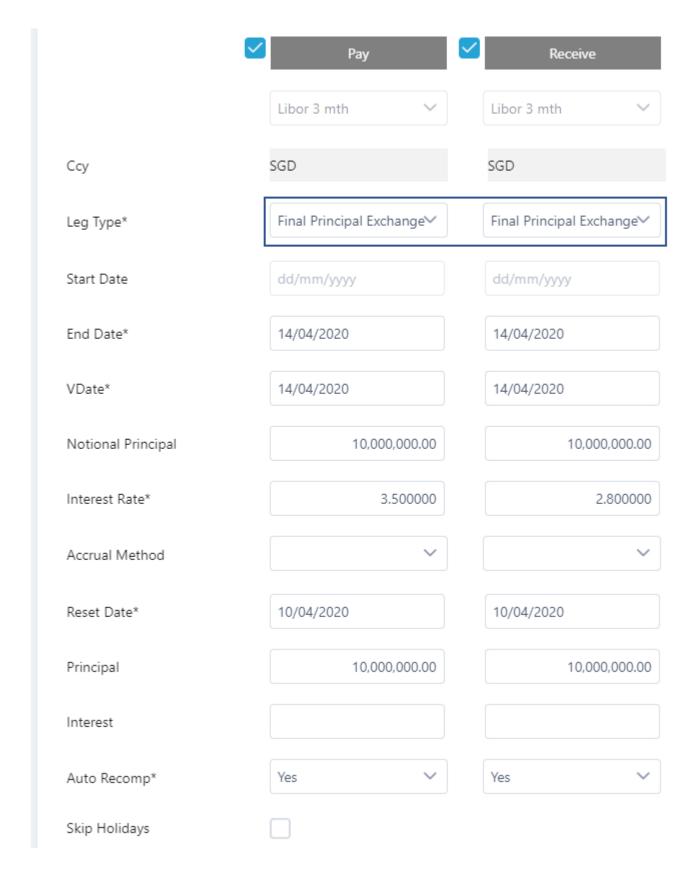
### WHY IS THIS IMPORTANT?

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.

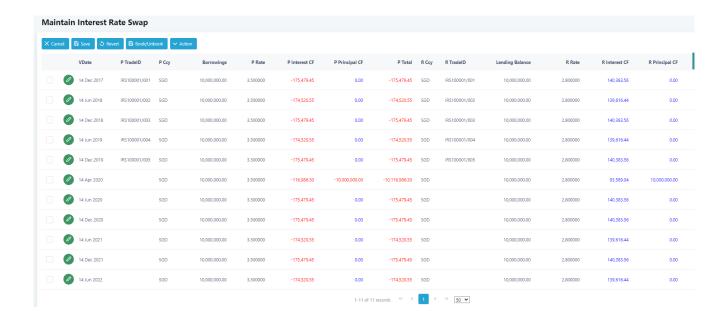
# **PROCEDURE**

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

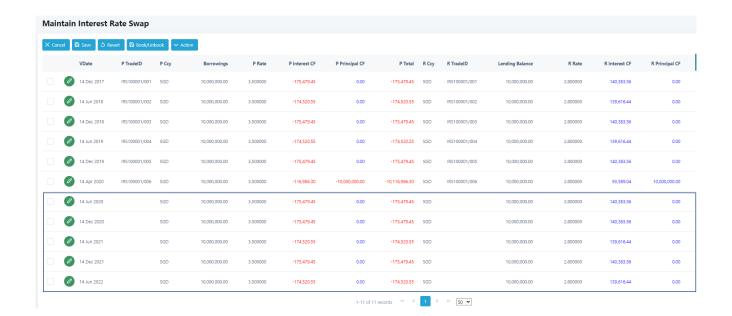
1. To pre-terminate the IRS, book the pre-termination as "Final Principal Exchange" in the Maintain Interest Rate Swap screen. Key in End Date, VDate, Notional Principal, Interest Rate, Reset Date and Principal amount. In this example, we will book the pre-termination for 14-Apr-2020. Tick the box next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



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



- 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.



- 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**

# <u>Maintain Interest Rate Swap</u>

### **CHANGE HISTORY**

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