ICMA / ISDA REPO WORKSHOP

16 March 2020 – Modelling of Repo Lifecycle Events
1. “Show and Tell” of latest CDM changes for Repo Lifecycle Events
   a. How the initial / final settlements are handled in CDM
   b. Example #1: term repo
   c. Deep-dive: interest rate representation as price
   d. Example #2: open repo

2. Next steps
   a. Price refactoring and re-rate implementation
   b. Further next steps TBD
But what about the initial and final settlements?
The same “Transfer” primitive event used for interest payments can represent any type of settlement. A single primitive can include both a “security” and a “cash” transfer to represent a DvP scenario.
WORKING EXAMPLE #1: SIMPLE TERM REPO

• We can generate initial and final cash + security transfer components, in line with the product definition
The price (interest rate) has now been extracted out of the product definition – same as the quantity.

**TO-DO:**
- Represent the re-rate event as a “PriceChange” rather than “TermsChange” primitive.
- Position haircut as part of the price.
The call option needs to be exercise first

TO-DO:
- Currently: exercises into a “product” – Should generate direct flows...
- ...Referenced by final DvP transfer
**OTHER NEXT STEPS – MUCH WORK LEFT TO DO (STILL)!**

- Implement those lifecycle events as CDM functions – Currently those samples are “manufactured”
- Include those functions as part of the continuous CDM integration-testing framework
- Develop the “PriceChange” primitive, and test it in the open repo re-rate case
- More work needed on the Exercise primitive and the cash / security flow generation

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**AS BEFORE WE NEED:**
- To start working with a few firms who can provide sample data!
- Resourcing: proper development takes time and effort, and needs to be prioritised accordingly