

UPDATE:
**ESTABLISHING AN OVERNIGHT INDEX SWAP
(OIS) MARKET IN NOK**

WORKING GROUP ON ALTERNATIVE REFERENCE
RATES FOR THE NORWEGIAN KRONE

JUNE 2021

In its December 2020 report, the working group set a goal of establishing a functioning OIS market in NOK within Q3 2021. This short note will provide an update on the outstanding items remaining in order to establish such a market, as well as provide a revised timeline that indicates Q4 as the likely point for the establishment of a fully functioning market.

Remaining Steps

NOK-NOWA Supplements to 2006 ISDA Definitions:

On 13th May 2021 a number of supplements were added to the 2006 ISDA Definitions. Supplement 74 added a number of new Rate Options, including NOK-NOWA. Supplement 75 includes new compounding and averaging provisions relevant to Risk Free Rates (e.g., observation period shifts, lookbacks, lockouts and payment delays for OIS compounding), and includes NOK-NOWA.

An additional supplement that will add a self-compounding NOK-NOWA Rate Option is expected in the coming weeks, and it is this Rate Option that is most relevant to the interbank OIS market.

The NOK-NOWA Rate Options will also be included in the upcoming 2021 ISDA Definitions.

Indicative Prices

Interdealer brokers active in the NOK interest rate derivatives market are now ready to begin publishing indicative prices for NOK OIS once the self-compounding Rate Option is in place and bilateral interbank trading begins. Market data platforms including Bloomberg and Refinitiv have established relevant instrument tickers.

Trading and trade affirmation platforms

The working group has a dialogue with both Bloomberg and Tradeweb, both of whom are positive to enabling NOK OIS on their trading platforms. MarkitSERV are also represented in the working group and have MarkitWire support for NOWA on their 2021 roadmap. MarkitSERV will assign NOWA support to a specific MarkitWire release once the self-compounding Rate Option is published.

The working group will continue to work with these institutions to support the enablement of NOK OIS in line with the market launch.

Clearing

LCH were originally planning on adding support for NOWA in their July 2021 release. Due to high workload related to Risk Free Rate developments globally and the self-compounding NOK-NOWA Rate Option not yet being published, NOWA support has now been moved to LCH's November release.

Revised Timeline

Q2: The required supplements to the 2006 ISDA Definitions are expected to be in place within Q2

Q3: With the required Rate Options in place, this should allow

- Bilateral trading of NOWA-linked derivatives
- Publication of indicative prices by interdealer brokers
- Bloomberg/Tradeweb to develop support for NOWA trading
- MarkitSERV to add MarkitWire support for NOWA derivatives

Q4: LCH to add clearing support for NOWA in November release, thus completing all steps required for a fully functioning market.