

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

WORKING GROUP ON ALTERNATIVE REFERENCE
RATES FOR THE NORWEGIAN KRONE

APR 2022

In its October 2021 update, the working group noted that the following steps toward establishing an OIS market in NOK had been completed:

- The required supplements to the ISDA Definitions had been released
- Bilateral trading of NOWA-linked derivatives had begun
- Interdealer brokers had begun publishing indicative prices for NOWA derivatives

In addition:

- MarkitSERV was expected to add MarkitWire support for NOWA derivatives within October 2021
- LCH was scheduled to add support for the clearing of NOK NOWA OIS in their April 2022 release
- Bloomberg/Tradeweb were expected to add support for NOWA derivative trading shortly after clearing was enabled

Update

MarkitSERV added MarkitWire support as scheduled in their October 2021 updates. MarkitWire confirmations have been successfully used to confirm bilateral trades since this time. The NOWA market, whilst still in its infancy, has been active, with prices regularly made in interdealer broker markets and some trades going through.

In addition, LCH have confirmed they will make the following changes to their Norwegian Krone support, to go live from Monday 25th April:

- NOK NOWA OIS clearing eligibility out to 16Y (inc. VNS OIS)
- NOK IRS extension from 16Y to 31Y for IRS/Basis Swaps/VNS/ZC
- NOK NOWA discounting for all NOK products

LCH clearing support for NOWA completes the last major hurdle in establishing the infrastructure required for a NOK OIS market. In addition, NOK NOWA discounting for all NOK products will remove one of the major frictions for the wider NOK interest rate derivatives market. With this step completed, it is hoped that the NOWA derivatives market can now continue to grow, and support for electronic trading also added shortly.