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For Immediate Release

## **ISDA Leads Industry Effort to Standardize the Credit Support Annex**

**NEW YORK, Thursday, November 3, 2011** – The International Swaps and Derivatives Association, Inc. (ISDA) today outlined key provisions to the Standard Credit Support Annex (SCSA) proposal as part of its continuing efforts to increase efficiency and improve standardization in the over-the-counter (OTC) derivatives markets.

The SCSA proposal addresses three primary objectives. The SCSA seeks to standardize market practices by removing embedded optionality in the existing CSA, promote the adoption of overnight index swap (OIS) discounting for derivatives, and align the mechanics and economics of collateralization between the bilateral and cleared OTC derivative markets. In addition, the SCSA seeks to create a homogeneous valuation framework, reducing current barriers to novation and valuation disputes.

“ISDA will continue to lead standardization initiatives in an effort to make global derivatives markets safer and more efficient,” said Conrad Voldstad, ISDA’s Chief Executive Officer. “The Standard CSA is the next step towards simplifying and standardizing market processes regarding collateralization.”

The SCSA proposal contains the operational mechanics of the current CSA but amends the collateral calculation so that derivative exposures and offsetting collateral are grouped into like currencies, or “silos”. The SCSA contemplates the sole use of cash as eligible collateral for Variation Margin (securities will still be permitted for Independent Amounts). Each currency silo is evaluated independently to generate a required movement of collateral in the relevant currency. This aligns bilateral collateral structures and economics to be more consistent with the London Clearing House (LCH) and other clearing houses that adopt consistent margin approaches.

The proposal also considers implementation issues, including the operational and technology impact of introducing the SCSA and the relationship between the new SCSA, existing CSAs and counterparty-level netting sets for termination and other purposes. The SCSA is a market-driven initiative with a flexible implementation approach that allows firms to move at the pace they deem appropriate.

This SCSA proposal was prepared by a Working Group of the ISDA Collateral Steering Committee, at the request of the ISDA Board. Regulators and legislators are actively encouraging dealers and trade associations to standardize their frameworks and processes.

A slide presentation, which provides an overview of the ISDA SCSA, is available at [ISDA’s website](#).

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**About ISDA**

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA is one of the world's largest global financial trade associations, with over 825 member institutions from 57 countries on six continents. These members include a broad range of OTC derivatives market participants: global, international and regional banks, asset managers, energy and commodities firms, government and supranational entities, insurers and diversified financial institutions, corporations, law firms, exchanges, clearinghouses and other service providers. Information about ISDA and its activities is available on the Association's web site: [www.isda.org](http://www.isda.org).

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