April 2020

ISDA Research Study

ISDA MARGIN SURVEY YEAR-END 2019

The ISDA Margin Survey looks at the impact of regulatory and other changes on collateral practices, and analyzes the amount and type of initial margin (IM) and variation margin (VM) posted for non-cleared derivatives, and the IM posted for cleared transactions.

The new survey finds that the 20 largest market participants (phase-one firms) collected approximately $173.2 billion of IM for their non-cleared derivatives transactions at year-end 2019. Of this amount, $105.2 billion was collected from counterparties currently in scope of the regulatory IM requirements. A further $68.0 billion of IM was collected from counterparties and/or for transactions that are not in scope of the margin rules (independent amount (IA)), including legacy transactions.

In addition to these amounts, phase-one firms reported that they collected $44.0 billion of IM for their inter-affiliate derivatives transactions at year-end 2019.

The survey also finds that $269.1 billion of IM was posted by all market participants to major central counterparties (CCPs) for their cleared interest rate derivatives (IRD) and credit default swap (CDS) transactions at the end of 2019.

CONTENTS

SUMMARY

Initial and variation margin collected by the 20 phase-one firms for their non-cleared derivatives transactions totaled $1.07 trillion at year-end 2019

- The amount of regulatory IM has been increasing as margin rules for non-cleared derivatives have been phased-in since September 2016 and more firms and new transactions have become subject to the requirements[1].

- The survey finds that 27 firms, including 20 phase-one, four phase-two and three phase-three firms, collected about $183.7 billion of IM and $944.7 billion of VM at year-end 2019[2].

- IM collected by phase-one firms for their non-cleared derivatives transactions totaled $173.2 billion at year-end 2019. This represents a 10% increase compared to the $157.9 billion of IM that phase-one firms collected at year-end 2018[3].

    - $105.2 billion of the IM collected by phase-one firms was required under global margin regulations, and came from phase-one, phase-two, phase-three and phase-four firms currently in scope of the margin rules. This represents an increase of 25% compared to the $83.8 billion of regulatory IM collected at year-end 2018.

    - $68.0 billion of IM collected by phase-one firms was IA received from counterparties not currently in scope and/or for transactions not covered by the margin rules, including legacy transactions[4,5]. This represents an 8% decrease compared to the $74.1 billion of IA collected at year-end 2018.

- Seven other firms – four phase-two and three phase-three entities that participated in the survey this year – collected $10.5 billion of IM at year-end 2019, including $6.0 billion of regulatory IM and $4.5 billion of IA.

- VM collected by phase-one firms for non-cleared derivatives totaled $897.3 billion at year-end 2019 compared with $858.6 billion at year-end 2018.

    - $441.5 billion of the VM collected by phase-one firms was required under global margin regulations.

    - $455.8 billion of the VM collected by phase-one firms was discretionary and was received from counterparties and/or for transactions not covered by the margin rules, including legacy transactions.

[1] There are six phases to the margin rules for non-cleared derivatives. Currently, firms in phases one, two, three and four are required to post IM. There are 20 phase-one firms, six phase-two firms, eight phase-three firms and 18 phase-four firms. Of these, all 20 phase-one firms contributed data to this analysis, as did four phase-two and three phase-three firms. See the appendix for a brief summary of the margin regulations

[2] These amounts exclude margin posted for inter-affiliate transactions

[3] ISDA Margin Survey Year-End 2018 https://www.isda.org/a/nIeME/ISDA-Margin-Survey-Year-End-2018.pdf

[4] Independent amount (IA) is IM delivered to or received from counterparties for legacy transactions executed prior to the implementation of the margin rules, or for transactions that are not subject to the margin requirements and/or for amounts posted in addition to regulatory IM. It is equivalent to discretionary IM referenced in the prior margin surveys

[5] Legacy transactions are trades entered into prior to the regulatory IM compliance date

- VM collected by the four phase-two and three phase-three firms totaled $47.4 billion at year-end 2019. This included $23.8 billion of regulatory VM and $23.6 billion of discretionary VM.

- Phase-one firms collected $44.0 billion of IM for their inter-affiliate derivatives transactions at year-end 2019, compared with $39.4 billion at year-end 2018. Phase-one firms also collected $134.8 billion of VM for inter-affiliate derivatives transactions at year-end 2019.

- For cleared IRD and single-name and index CDS, IM posted at all major CCPs by all market participants totaled $269.1 billion at the end of 2019. This represents an increase of 20.6% from the $223.1 billion at the end of 2018[6].

  - $222.1 billion of this amount represents IM posted for IRD products. Open interest in IRD products across five major CCPs totaled $357.1 trillion at year-end 2019.

  - $47.1 billion of IM was posted by market participants for CDS transactions. Open interest at four major CCPs was $2.1 trillion at year-end 2019.

[6] All numbers are converted to US dollars based on the exchange rates as of December 31, 2019

METHODOLOGY AND PARTICIPANTS

ISDA's Margin Survey analyzes the amount and type of collateral posted for non-cleared and cleared derivatives transactions

- Regulation in many jurisdictions requires or will require firms over certain thresholds to post and collect IM and to exchange VM.

- Margining practices prior to these regulations varied among derivatives users, with many adhering to ISDA's collateral best practices[7]. The exchange of VM for derivatives transactions under an ISDA Collateral Support Annex (CSA) or similar agreements was common, and some firms also posted IM under bilaterally negotiated collateral arrangements.

- ISDA's Margin Survey assesses the amount and type of collateral that is being posted for non-cleared and cleared derivatives transactions.

- For non-cleared derivatives, ISDA surveyed 20 firms with the largest derivatives exposures. These firms were subject to the first phase of the new margining regulations for non-cleared derivatives in the US, Canada and Japan from September 2016, and in Europe from February 2017 (known as phase-one firms).

- ISDA also surveyed phase-two and phase-three firms that were subject to the IM requirements from September 2017 and September 2018, respectively[8]. Responses were received from four phase-two firms (out of the six in scope) and three phase-three firms (out of the eight subject to the margin rules)[9].

- For cleared derivatives, the survey uses publicly available margin data from two US CCPs (CME and ICE Clear Credit), four European CCPs (Eurex Clearing, ICE Clear Europe, LCH Ltd and LCH SA) and two Asian CCPs (Japan Securities Clearing Corporation (JSCC) and OTC Clearing Hong Kong Limited (OTC Clear)). The collected data only reflects IM for IRD and CDS. This data is published by CCPs under public quantitative disclosure standards set out by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO).

[7] 2013 Best Practices for the OTC Derivatives Collateral Process https://www.isda.org/a/rLDDE/2013-isda-best-practices-for-the-otc-derivatives-collateral-process-final.pdf

[8] Phase-two and phase-three firms became subject to regulatory VM requirements as of March 1, 2017

[9] Phase-four firms became subject to the IM requirements in September 2019, but were not directly included in this survey

IM AND VM FOR NON-CLEARED DERIVATIVES

The amount of regulatory IM collected by phase-one firms grew to $105.2 billion at the end of 2019

The survey finds that 27 firms, including 20 phase-one, four phase-two and three phase-three entities, collected about $183.7 billion of IM and $944.7 billion of VM at year-end 2019.

Phase-one Firms Regulatory IM and IA

Phase-one firms received $105.2 billion and posted about $105.6 billion of regulatory IM for non-cleared derivatives transactions at year-end 2019 (see Table 1)[10]. Given the margin rules for non-cleared derivatives require two-way IM exchange between in-scope counterparties (each firm is required to post IM to and collect IM from its counterparty), the amount of IM received and the amount of IM delivered is approximately the same[11].

Table 1: Phase-one Firms Regulatory IM and IA (US$ billions)[12]

	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Regulatory IM Received	105.2	83.8	73.7	25%	14%
IA Received	68.0	74.1	56.9	-8%	30%
Total IM Received	173.2	157.9	130.6	10%	21%
Regulatory IM Posted	105.6	83.2	75.2	27%	11%
IA Posted	9.5	10.1	6.4	-7%	57%
Total IM Posted	115.0	93.3	81.7	23%	14%

The amount of regulatory IM received at year-end 2019 grew by 25% compared with year-end 2018. The amount of regulatory IM posted increased by 27% over the same period.

In ISDA's view, the increase in regulatory IM was mainly driven by two factors: (1) new non-cleared derivatives transactions executed by phase-one, phase-two and phase-three firms; and (2) the extension of the margin requirements to phase-four firms, which became subject to the IM requirements from September 2019.

As transactions executed before the implementation date are exempt from the IM rules, a larger part of the portfolio comes into scope of the requirements each month. As more firms and transactions become subject to the rules, ISDA expects regulatory IM to continue to grow.

In addition to regulatory IM, phase-one firms collected $68.0 billion of IA for non-cleared derivatives transactions at year-end 2019, and posted $9.5 billion of IA. The amount of IA received declined by 8% compared to the $74.1 billion at year-end 2018, and the amount of IA posted decreased by 7% versus the $10.1 billion at the end of 2018.

[10] These amounts exclude collateral received or delivered in connection with spot foreign exchange transactions. However, some firms indicated that collateral posted or received in connection with spot FX transactions may be included should the CSA determine that these should be collateralized

[11] Difference in the amounts of regulatory IM delivered and received are assumed to be attributed in part to differences in the scope of derivatives subject to regulatory IM in different jurisdictions

[12] 2019, 2018 and 2017 numbers are converted to US dollar based on the exchange rates as of December 31, 2019, December 31, 2018 and December 29, 2017, respectively (https://www.x-rates.com/table/?from=USD&amount=1)

IA reflects IM posted and collected under collateral agreements with counterparties not currently in scope of the margin rules. It also captures IM posted for transactions that are not covered by the margin rules, including legacy transactions.

The difference in IA received and IA posted is likely because collateral agreements that phase-one firms traditionally have had with non-dealer counterparties generally required only those counterparties to post IM.

Phase-two and Phase-three Firms Regulatory IM and IA

Four phase-two firms (out of the six that are subject to the margin rules) and three phase-three firms (out of the eight in scope) collected $10.5 billion of IM at year-end 2019, including $6.0 billion of regulatory IM and $4.5 billion of IA.

These firms posted $8.2 billion of IM at year-end 2019, including $6.7 billion of regulatory IM and $1.5 billion of IA (see Table 2).

For comparison, four phase-two and three phase-three firms that participated in the ISDA Margin Survey last year received $4.8 billion of IM and posted $4.2 billion of IM at year-end 2018[13].

Table 2: Phase-two and Phase-three Firms Regulatory IM and IA (US$ billions)[14]

	2019	2018	2019 vs. 2018
Regulatory IM Received	6.0	2.2	169%
IA Received	4.5	2.6	73%
Total IM Received	10.5	4.8	117%
Regulatory IM Posted	6.7	2.4	182%
IA Posted	1.5	1.9	-19%
Total IM Posted	8.2	4.2	93%

Phase-one Firms Regulatory and Discretionary VM

VM collected by phase-one firms for non-cleared derivatives totaled $897.3 billion at year-end 2019, a 5% increase compared with the $858.6 billion collected at year-end 2018 (see Table 3).

Of that, $441.5 billion was required under global margin regulations, while $455.8 billion of the VM collected by phase-one firms was discretionary VM and was collected from counterparties and/or for transactions that are not covered by the margin rules, including legacy transactions[15].

VM posted by phase-one firms for non-cleared derivatives totaled $690.2 billion at year-end 2019, an 18% increase compared with the $583.9 billion of VM posted at year-end 2018. VM posted by phase-one firms at year-end 2019 included $348.7 billion of regulatory VM and $341.5 billion of discretionary VM.

[13] The phase-two and phase-three firms that provided responses for year-end 2018 and year-end 2019 were not exactly the same

[14] 2019 and 2018 numbers are converted to US dollars based on the exchange rates as of December 31, 2019 and December 31, 2018, respectively (https://www.x-rates.com/table/?from=USD&amount=1)

[15] The split between regulatory and discretionary VM was not available for year-end 2018

Table 3: Phase-one Firms Regulatory and Discretionary VM (US$ billions)[16]

	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Regulatory VM Received	441.5	N/A	N/A		
Discretionary VM Received	455.8	N/A	N/A		
Total VM Received	897.3	858.6	893.7	5%	-4%
Regulatory VM Posted	348.7	N/A	N/A		
Discretionary VM Posted	341.5	N/A	N/A		
Total VM Posted	690.2	583.9	631.7	18%	-8%

Phase-two and Phase-three Firms Regulatory and Discretionary VM

Four phase-two and three phase-three firms collected $47.4 billion of VM at year-end 2019, including $23.8 billion of regulatory VM and $23.6 billion of discretionary VM.

These firms posted $64.5 billion of VM at year-end 2019, including $34.5 billion of regulatory VM and $30.0 billion of discretionary VM (see Table 4)[17].

Table 4: Phase-two and Phase-three Firms Regulatory and Discretionary VM (US$ billions)[18]

	2019
Regulatory VM Received	23.8
Discretionary VM Received	23.6
Total VM Received	47.4
Regulatory VM Posted	34.5
Discretionary VM Posted	30.0
Total VM Posted	64.5

[16] 2019, 2018 and 2017 numbers are converted to US dollars based on the exchange rates as of December 31, 2019, December 31, 2018 and December 29, 2017, respectively (https://www.x-rates.com/table/?from=USD&amount=1)

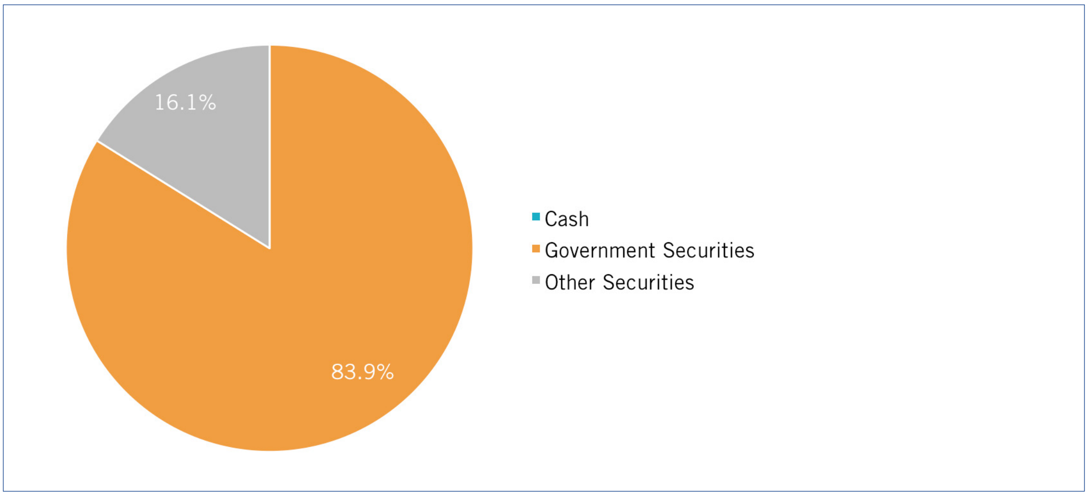
[17] Regulatory and discretionary VM data for phase-two and phase-three firms was not available for year-end 2018

[18] 2019 numbers are converted to US dollars based on the exchange rates as of December 31, 2019 (https://www.x-rates.com/table/?from=USD&amount=1)

Composition of Collateral for IM and VM

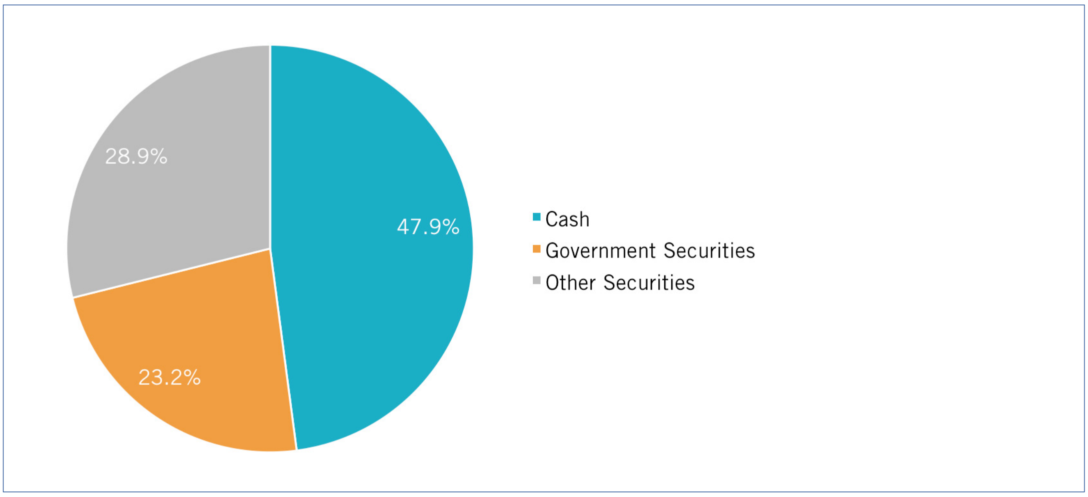
Based on the survey results, phase-one entities mostly use government securities for meeting regulatory IM requirements. That is because the margin regulations stipulate that IM has to be bankruptcy remote, which is much easier to implement using securities[19]. As shown in Chart 1, regulatory IM collected by phase-one firms included 83.9% of government securities and 16.1% of other securities at year-end 2019.

Chart 1: Composition of Regulatory IM Received by Phase-one Firms



For IA and VM, cash is more widely used. IA received by phase-one firms comprised 47.9% cash, 23.2% government securities and 28.9% other securities (see Chart 2).

Chart 2: Composition of IA Received by Phase-one Firms

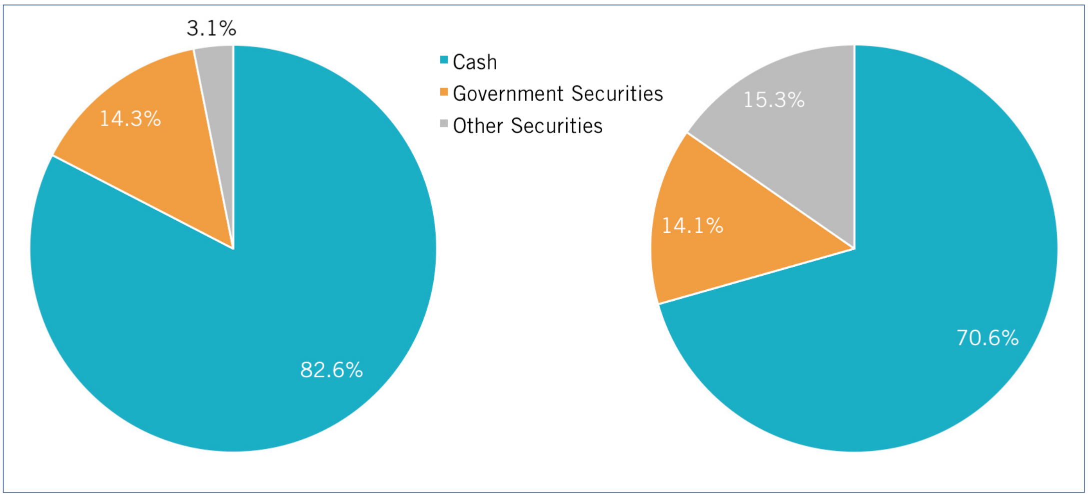


VM covers mark-to-market movements and can change daily. The VM a firm receives for a non-cleared derivatives position might be required to cover the VM of a cleared hedge, and these flows can be implemented more easily with cash.

[19] If cash was held with the third-party custodian, it could be bankruptcy remote from the counterparty receiving the collateral, but it would not be bankruptcy remote from the custodian (with certain exceptions possible in a few jurisdictions)

Cash contributed 82.6% of regulatory VM margin received, while government securities and other securities contributed 14.3% and 3.1%, respectively. Discretionary VM received by phase-one firms comprised 70.6% cash, 14.1% government securities and 15.3% other securities (see Charts 3 and 4).

Charts 3 and 4: Composition of Regulatory and Discretionary VM Received by Phase-one Firms



Phase-one firms collected $719.1 billion of cash, $231.1 billion of government securities and $120.4 billion of other securities at year-end 2019, including IM and VM (see Table 5). Cash made up 67.2% of total margin received compared to 73.0% of total margin posted (including IM and VM) at the end of 2019. Government securities and other securities contributed 21.6% and 11.2%, respectively, of total margin received and 22.8% and 4.2%, respectively, of total margin posted at the end of 2019.

Table 5: Composition of Collateral Received and Posted by Phase-one Firms (US$ billions)

	Cash	Government Securities	Other Securities	Total
Regulatory IM Received	0.0	88.2	17.0	105.2
Regulatory IM Posted	0.0	88.1	17.4	105.6
IA Received	32.6	15.8	19.6	68.0
IA Posted	4.0	3.7	1.8	9.5
Regulatory VM Received	364.7	63.0	13.8	441.5
Regulatory VM Posted	306.9	38.7	3.0	348.7
Discretionary VM Received	321.8	64.1	69.9	455.8
Discretionary VM Posted	277.3	52.8	11.5	341.5
Total Collateral Received	719.1	231.1	120.4	1,070.5
Total Collateral Posted	588.2	183.3	33.7	805.2

Inter-affiliate IM and VM

The survey revealed that phase-one firms collected $44.0 billion of IM for their inter-affiliate derivatives transactions at year-end 2019, compared with $39.4 billion at year-end 2018.

Inter-affiliate swaps are internal risk transfers between two legally separate subsidiaries, and are commonly used by financial institutions in connection with their role as market intermediaries and by end users to hedge capital and manage balance sheet risks.

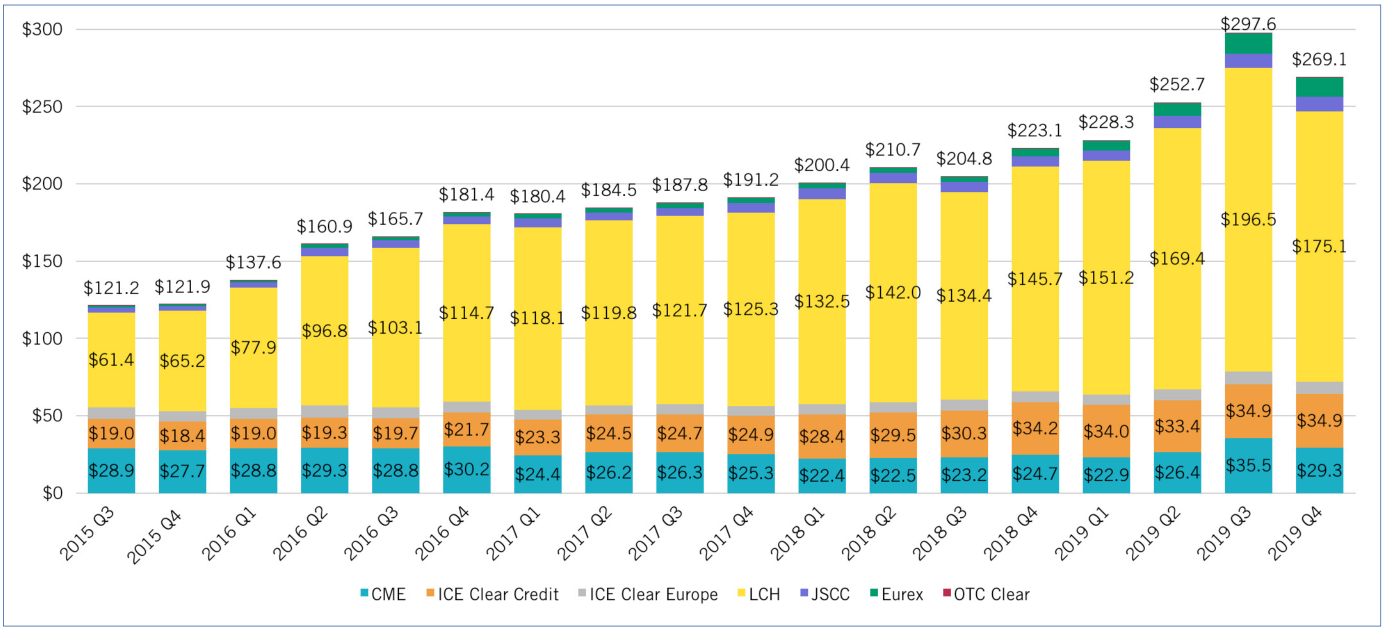
Global institutions often offer over-the-counter (OTC) derivatives to clients from a legal entity in the local jurisdiction in which the customer resides. This arrangement occurs either to comply with local regulations or to meet the needs of the client. Rather than house risk in multiple legal entities across several jurisdictions, these global institutions may enter into an external-facing OTC derivative with the client locally, and then enter into a mirroring internal transaction to transfer the risk associated with the external transaction to a centralized foreign entity. These internal transactions allow global institutions to net their firm-wide exposures and centrally manage their OTC derivatives exposure.

Additionally, phase-one firms collected $134.8 billion of VM for their inter-affiliate derivatives transactions at year-end 2019.

IM FOR CLEARED DERIVATIVES

Based on the CPMI-IOSCO public quantitative disclosures for CCPs, the amount of IM for cleared derivatives, including IRD and CDS, continued to increase in 2019. Total IM for IRD and CDS products reached $269.1 billion at the end of the fourth quarter of 2019, compared with $223.1 billion at the end of the fourth quarter of 2018 (see Chart 5)[20].

Chart 5: IM for IRD and CDS (US$ billions)[21]



Source: CCP disclosures

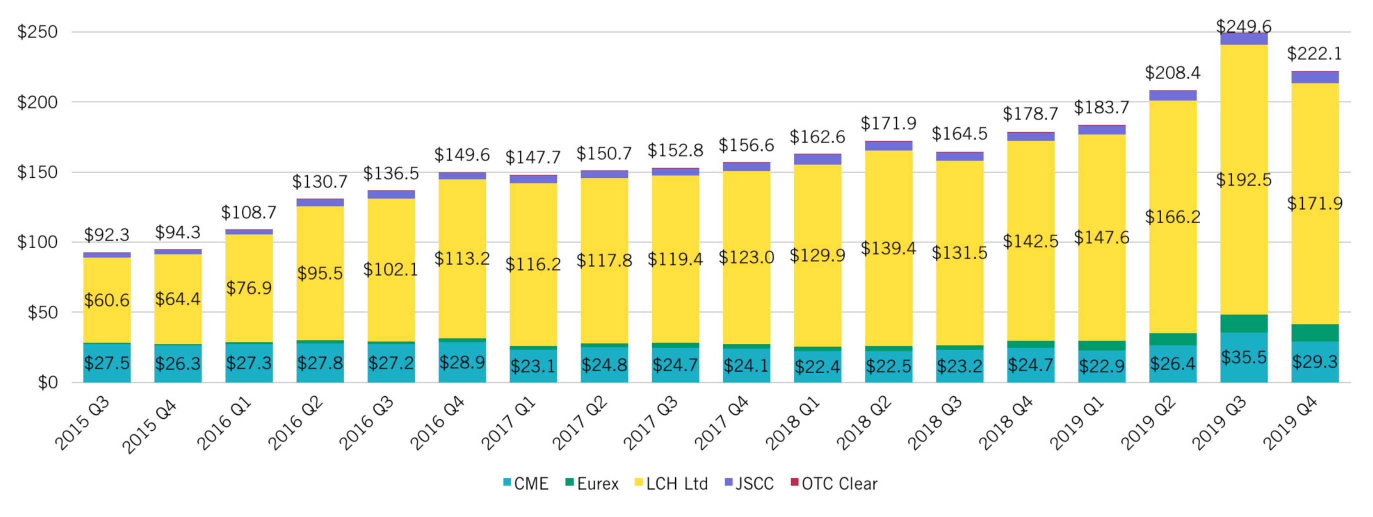
IM for Cleared IRD and CDS

IM for cleared IRD grew by about 24.3%, from $178.7 billion at the end of the fourth quarter of 2018 to $222.1 billion at the end of the fourth quarter of 2019 (see Chart 6). This was mainly driven by a 20.6% IM increase at LCH Ltd.

[20] CCPs have been providing quarterly CPMI-IOSCO public quantitative disclosures since the third quarter of 2015. All numbers are converted to US dollars based on the exchange rates as of December 31, 2019: https://www.x-rates.com/historical

[21] LCH includes LCH Ltd and LCH SA

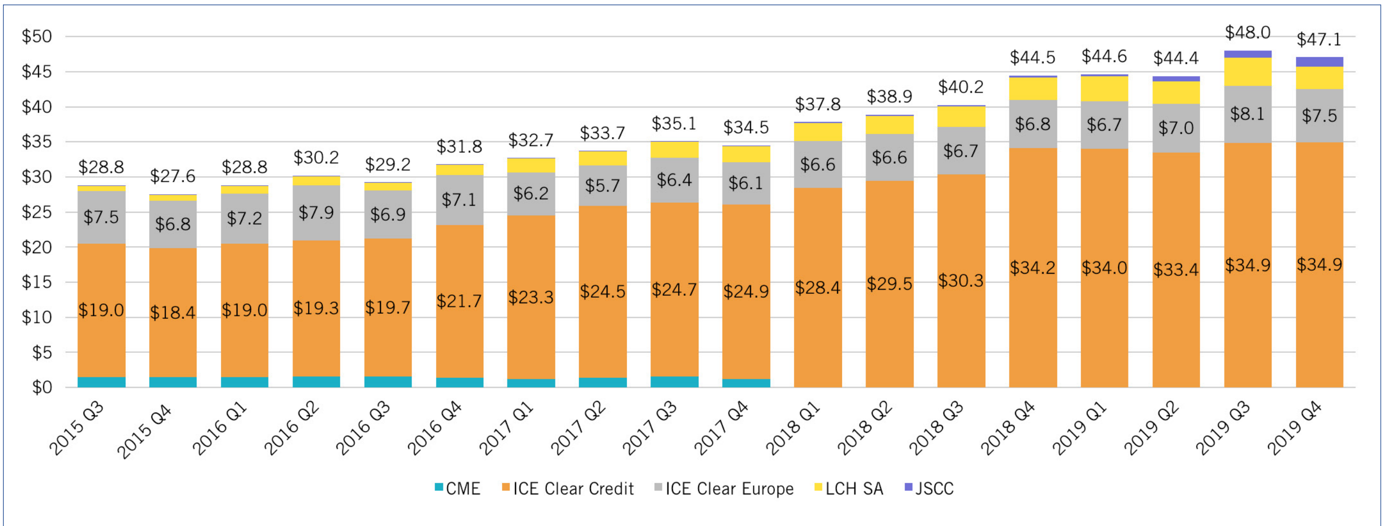
Chart 6: IM for Cleared IRD (US$ billions)



Source: CCP disclosures

IM for cleared CDS grew by 5.9%, from $44.5 billion at the end of the fourth quarter of 2018 to $47.1 billion at the end of the fourth quarter of 2019 (see Chart 7).

Chart 7: IM for Cleared CDS (US$ billions)



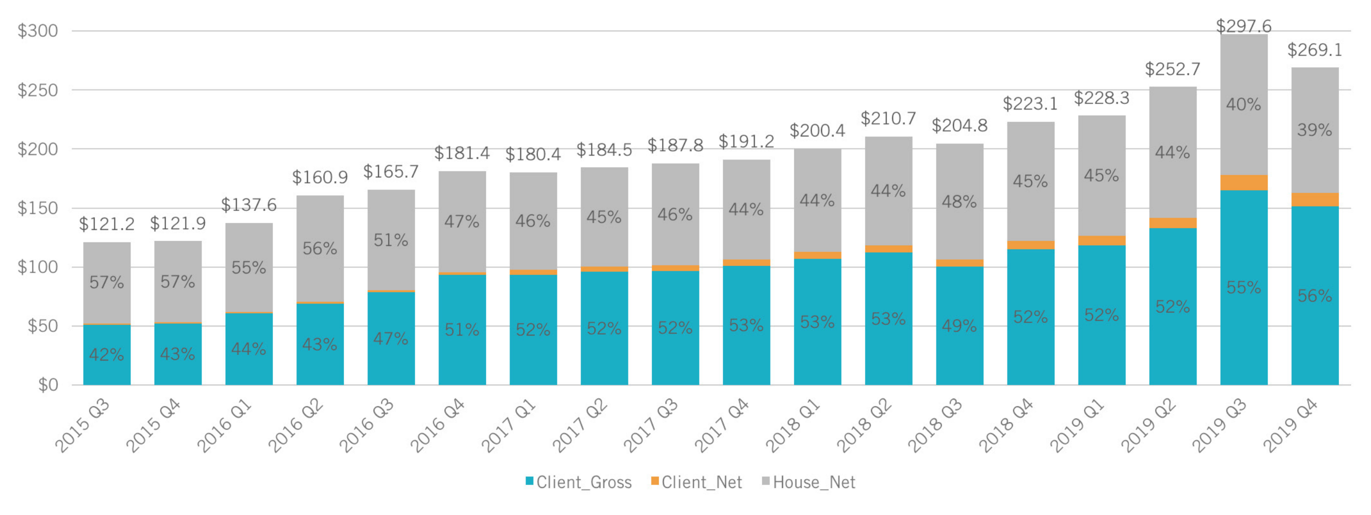
Source: CCP disclosures

Client and House IM

At the end of the fourth quarter of 2019, IM posted by clearing members for their own positions (house net) totaled $106.1 billion compared with $163.1 billion of client IM, out of which $151.6 billion was margin calculated on a gross basis and $11.5 billion was calculated on a net basis[22]. House net margin totaled 39.4% of total IM, while client gross margin and client net margin represented 56.3% and 4.3% of total IM, respectively, at the end of the fourth quarter of 2019 (see Chart 8).

[22] Under a net margin structure, a clearing member only passes through to the CCP the net margin across a set of clients, thereby retaining part of the client margin. Under a gross structure, the margin of all clients is posted in full to the CCP

Chart 8: Client and House IM (US$ billions)



Source: CCP disclosures

Open Interest

At year-end 2019, IRD open interest across five major CCPs totaled $357.1 trillion, while total CDS open interest at four major CCPs was about $2.1 trillion[23,24]. Against these exposures, CCPs collected $222.1 billion of IM for IRD products and $47.1 billion of IM for CDS products (see Table 6).

For comparison, IRD open interest across five major CCPs totaled $346.0 trillion at year-end 2018, while total CDS open interest at four major CCPs was about $1.9 trillion. Against these exposures, CCPs collected $178.7 billion of IM for IRD products and $44.5 billion of IM for CDS products.

Table 6: Open Interest (US$ trillions)

	2019		2018	
	IRD	CDS	IRD	CDS
CME Group	14.8	-	16.2	-
Eurex Clearing	14.5	-	9.1	-
ICE Clear Credit	-	1.3	-	1.2
ICE Clear Europe	-	0.5	-	0.5
Japan Securities Clearing Corporation (JSCC)	12.0	0.02	11.8	0.01
LCH SA*	-	0.2	-	0.2
LCH Ltd	315.7	-	308.8	-
OTC Clearing Hong Kong Limited (OTC Clear)	0.1	-	0.1	-
Total	357.1	2.1	346.0	1.9

*LCH SA open interest is as of March 31, 2020 and April 1, 2019, as the company does not disclose historical data

Source: CCP disclosures

[23] Open interest is a common concept in futures and options markets, but is also used in the OTC derivatives market to indicate notional outstanding. For IRD products, open interest is the total notional outstanding of the aggregated double-counted volume of all active trades. When a derivatives trade is cleared by a CCP, the initial contract between two counterparties is replaced by two new contracts between each counterparty and a CCP. For CDS products, open interest is the sum of all clearing participants' outstanding net long positions against a CCP, which results in single-sided amounts

[24] Data on open interest was collected from CCP websites. All numbers are converted to US dollars based on the exchange rates as of December 31, 2019: https://www.x-rates.com/historical

OVERVIEW OF MARGIN RULES FOR NON-CLEARED DERIVATIVES

IM requirements for non-cleared derivatives are being rolled out to a wider universe of derivatives users

The margin rules for non-cleared derivatives, which require the mandatory posting of IM and VM for OTC derivatives that are not cleared through CCPs, originate from a global policy framework and schedule established by the Basel Committee on Banking Supervision (BCBS) and IOSCO.

The IM and VM requirements for phase-one entities took effect on September 1, 2016 in the US, Canada and Japan, and on February 4, 2017 in Europe. VM requirements came into effect for a wider universe of entities from March 1, 2017[25].

Phase-two firms became subject to the IM rules on September 1, 2017. Phase-three and phase-four implementation of IM requirements went into effect on September 1, 2018 and September 1, 2019, respectively. The IM requirements for other entities subject to the rules will be phased-in through September 1, 2022, in line with the updated BCBS-IOSCO schedule.

In July 2019, the BCBS and IOSCO added an additional implementation phase, extending the rollout schedule by one year to September 2021[26].

In April 2020, the BCBS and IOSCO extended the final two implementation phases by one year in order to provide additional operational capacity for firms to respond to the immediate impact of COVID-19[27].

Table 7: Compliance Dates and Average Aggregate Notional Amount (AANA) Thresholds for Non-cleared Margin Requirements

Effective Date*	USA	Japan	Canada	Europe	Australia	Hong Kong	Singapore
September 1, 2016	$3.0 trillion	¥420 trillion	C$5.0 trillion	€3.0 trillion	A$4.5 trillion	HK$24 trillion	SG$4.8 trillion
September 1, 2017	$2.25 trillion	¥315 trillion	C$3.75 trillion	€2.25 trillion	A$3.375 trillion	HK$18 trillion	SG$3.6 trillion
September 1, 2018	$1.5 trillion	¥210 trillion	C$2.5 trillion	€1.5 trillion	A$2.25 trillion	HK$12 trillion	SG$2.4 trillion
September 1, 2019	$0.75 trillion	¥105 trillion	C$1.25 trillion	€0.75 trillion	A$1.125 trillion	HK$6 trillion	SG$1.2 trillion
September 1, 2021	$50 billion	¥7 trillion	C$75 billion	€50 billion	A$75 billion	HK$375 billion	SG$80 billion
September 1, 2022	$8 billion	¥1.1 trillion	C$12 billion	€8 billion	A$12 billion	HK$60 billion	SG$13 billion

* These effective dates are for US and Japan. The initial effective date for Europe was February 4, 2017, and for Australia, Hong Kong and Singapore was March 1, 2017. The remaining dates are aligned across these regions

[25] Transitional relief or guidelines provided by global regulators allowed market participants additional time to come into full compliance

[26] Basel Committee and IOSCO agree to one-year extension of the final implementation phase of the margin requirements for non-centrally cleared derivatives https://www.bis.org/press/p190723.htm

[27] Basel Committee and IOSCO announce deferral of final implementation phases of the margin requirements for non-centrally cleared derivatives https://www.bis.org/press/p200403a.htm

Margin rules apply to covered swap entities and financial end users under the US rules, and financial counterparties and systemically important non-financial entities above the clearing threshold under European Union (EU) rules. The margin requirements cover non-centrally cleared OTC derivatives and apply only to new transactions that took place after the rule implementation date.

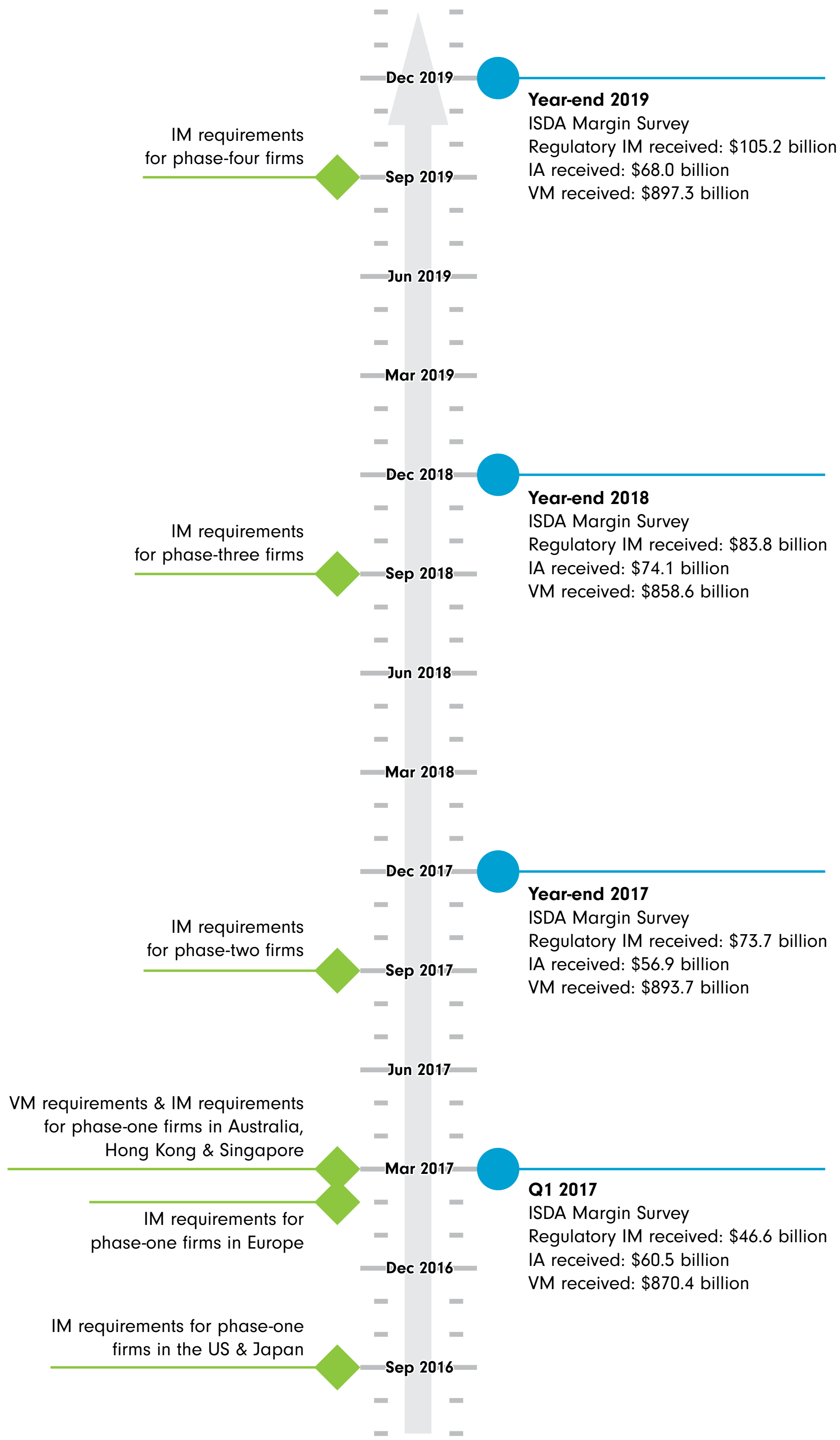
The AANA of non-cleared derivatives (on a consolidated basis with affiliates) determines the relevant compliance date for IM requirements. The rules provide exemptions for certain products (eg, physically settled foreign exchange (FX) swaps and FX forwards) and certain entities (eg, sovereigns and central banks)[28,29].

[28] Additional exemptions vary between jurisdictions, but may include:

- Intra-group transactions;
- Exemption for IM (referred to as a 'threshold amount' under a credit support annex) between two firms, up to a maximum of €50 million (or a similar figure in the currency of the national rules), calculated at a group level;
- Hedging in covered bond issues;
- In some jurisdictions, a counterparty will not be required to post any VM or IM for OTC derivatives with counterparties domiciled in non-netting jurisdictions, but may still be required to collect margin from those counterparties. Under EU regulations, there is no requirement for a counterparty to collect or post VM or IM when certain conditions are met and the counterparty is in a non-netting jurisdiction, subject to a cap of 2.5% of the regulated party's OTC derivatives by notional amount

[29] The summary of derivatives products that are subject to regulatory IM and VM requirements in jurisdictions that have final requirements for regulatory margin can be found at https://www.isda.org/a/GpXTE/ISDA-In-Scope-Products-Chart-Uncleared-Margin.pdf

TIMELINE FOR MARGIN RULES FOR NON-CLEARED DERIVATIVES



ISDA has published other recent research papers:

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  https://www.isda.org/a/GpXTE/ISDA-In-Scope-Products-Chart-Uncleared-Margin.pdf

- ***SwapsInfo Full Year 2019 and Fourth Quarter of 2019 Review, February 2020***
  https://www.isda.org/a/8UXTE/SwapsInfo-Full-Year-2019-and-Q4-2019-Review-Full-Report.pdf

- ***Interest Rate Benchmarks Review: Full Year 2019 and the Fourth Quarter of 2019, January 2020***
  https://www.isda.org/a/W5LTE/Interest-Rate-Benchmarks-Review-Full-Year-2019-and-Q4-2019.pdf

- ***ISDA Margin Survey Year-End 2018, April 2019***
  https://www.isda.org/a/nIeME/ISDA-Margin-Survey-Year-End-2018.pdf

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