Getting Ready for the March 1, 2017 Variation Margin Requirements
What Steps Do I Need to Take?

STEP 1  DETERMINE WHICH RULES APPLY

Determine which rules apply to your firm with each of your counterparties. Use the ISDA Self-Disclosure Letter (SDL) on ISDA Amend1 to exchange relevant information with your counterparties to make that determination. Note: this determination occurs at the legal-entity level.

TO CONSIDER:

☑ Identify all legal entities in your group that enter into non-cleared derivatives. If acting as agent, identify all principals on behalf of which your firm enters into non-cleared derivatives.

☑ If needed, set up each entity on ISDA Amend.

☑ Identify the counterparties to those non-cleared derivatives.

☑ Find out whether any of the trading relationships involve multiple branches in different countries.

☑ Look out for and respond to counterparties’ requests for SDL information on ISDA Amend.

STEP 2  DETERMINE DOCUMENTATION STRATEGY

Based on which rules apply, determine whether there is a need to amend each legal entity’s derivatives documentation with each counterparty. Note: amendments could be required either because rules apply to your legal entity directly, or because rules apply to your legal entity’s counterparty.

TO CONSIDER:

☑ What documentation does your legal entity have in place today with each counterparty?

☑ How does that documentation need to be amended to be in compliance with applicable rules?

☑ How do you and your counterparty want to bring that documentation into compliance?
STEP 3 IMPLEMENT DOCUMENTATION IN PREPARATION FOR MARCH 1, 2017

Agreed documentation changes will need to be executed sufficiently ahead of March 1, 2017 so that both parties can ensure they comply with applicable rules. The ISDA 2016 Variation Margin Protocol can be used to execute documentation by adhering to the Protocol and exchanging Questionnaires with each counterparty using ISDA Amend.

TO CONSIDER:
- Adhere to the ISDA 2016 Variation Margin Protocol on the ISDA website.
- Identify the Questionnaire responses that need to be made for each legal entity to implement your firm’s documentation strategy.
- Share draft Questionnaires with counterparties on ISDA Amend (available from November 25, 2016) to reconcile elections and determine Protocol outcomes. Amend draft Questionnaires if needed.
- Match final Questionnaires on ISDA Amend (available from mid-December 2016).

STEP 4 IMPLEMENT ANY OPERATIONAL CHANGES NEEDED AHEAD OF MARCH 1, 2017

Identify any operational changes needed to comply with the updated documents.

TO CONSIDER:
- Any changes in collateral types/haircuts/settlement timelines, including T+1 collateral settlement compliance if US rules apply.
- Any changes to collateral call workflow – eg, if the parties decide to bifurcate margin calls for legacy and post-compliance date portfolios.

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org.