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ISDA Response to US Proposed Rule-making on Swap Margin Requirements

NEW YORK, September 17, 2019 – The International Swaps and Derivatives Association, Inc. (ISDA) has published the following response to US proposed rule-making on swap margin requirements.

“We welcome the proposed rule, as it reflects a global effort by regulators to make the margin requirements more sensitive to risk, and to align those rules across jurisdictions. ISDA analysis showed the number of in-scope firms would have jumped by roughly 20-fold under the original phase-five initial margin implementation deadline, raising doubts about the capacity of these entities to comply in time. The proposal to split the phase-five implementation schedule over two years will give smaller, less systemically important firms an extra 12 months to prepare. Providing regulatory relief to legacy swap transactions that might come into scope due to contractual changes brought about by benchmark reform will also ensure the industry is able to focus on systemic risk reduction by cutting its reliance on LIBOR without adding to the margin compliance burden,” says Scott O’Malia, ISDA CEO.

“In addition, we appreciate the willingness of prudential regulators to revisit the inter-affiliate margin issue and to bring them in line with other regulators. Inter-affiliate trades are used by firms to centralize their exposures for risk management purposes, and any change would not affect the initial margin posted on external trades with third parties. According to the latest ISDA margin survey, the top 20 dealers held \$157.9 billion in initial margin and \$858.6 billion in variation margin for their non-cleared derivatives transactions at year-end 2018.”

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 71 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. Follow us on Twitter @ISDA.

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