The ISDA and Markit Compliance Solution

ISDA and Markit: Documentation Compliance Webinar

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Introduction to Dodd-Frank compliance project; Changes to ISDA documentation and ISDA Protocol structure

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The ISDA and Markit Solution

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Centralizing swap counterparties signing ISDA documentation amendments

Background	Dodd -Frank rulemakings impose new duties on swap dealers in a range of areas
Requirement	Swap dealers must sign amendments to their ISDA documentation with all of their swap counterparties to be compliant with Dodd-Frank rules.
Summary	Rather than bilaterally agreeing to a set of amendments (the combination of which will be specific to the client), clients will adhere to an ISDA protocol, agreeing to contractual amendments published by ISDA and elected on the system. Markit will provide an online questionnaire that not only automates the matching of amendments to bilateral agreements but also maps that questionnaire back to other account data and documentation.
ISDA Markit Partnership	ISDA and Markit will develop a documentation-compliance system to help market participants amend documentation covering over-the-counter derivatives. The move is intended to help counterparties comply with the Dodd-Frank Act, and will be used for amendments to documentation necessitated by other global regulatory changes.

ISDA mandate

—ISDA D-F Protocol has Schedules that provide agreements between Swap Dealers and their counterparties

—The ISDA and Markit online questionnaire which accompanies the Protocol allows sell side and buy side to amend multiple Masters at once

General Questions	All participants answer certain basic questions (name, address, type of entity)		
Entity Specific Questions	Other (eg hedge fund)	Swap Dealer	Special Entity
Amend ISDA Master by accepting Schedules	Schedules 1, 2,3	Schedules 1-6	Schedules 1, 2, 4, 5, 6

The ISDA Compliance Solution offers an online interface that provides users with an automated execution facility for

— Confirming counterparties

— Delivering a completed questionnaire to each relevant counterparty

— Reporting that allows users to see the status of their existing counterparties as it relates to accepting schedules

— Downloading to Excel or CSV in case a user wants to analyze the data

ISDA

Complete Questionnaire

PCA PRINCIPAL TYPE   ERISA Special Entity ▾

QUESTIONS 1-5 COMPLETION METHOD: ⦿ Upload
                                     ◯ Enter

[Save]
[Cancel]

☑ Fiduciary Same as Third Party Control Person

Eligible Contract Participant:
☐ iii) Financial Institution
☑ ix) Employee Benefit Plan Subject to ERISA

Financial Entity   [▾]

Special Entity Type:
☑ iii) ERISA Special Entity

ERISA Special Entity:
⦿ Agrees to Schedule 5
◯ Agrees to Schedule 6

Fiduciary:
☑ Agrees to Schedule 5
☑ Agrees to Schedule 6

markit

The Questionnaire is divided into 3 sections:

— Reference data

— Principal Type selection

— Free form text and multiple choice

— Depending on the PCA Principal Type selected, the system will ask only a subset of all the questions

— The PCA Principal Type, combined with the answers to the selected questions, will lead to the user to the Schedules for Acceptance

Dashboard

— Count of Matched

— Count of not Matched

— Missing (Sent – Received)

— Requests Received

— Messages and Alerts

Business conduct compliance solution pricing model includes:

— Global license - Enterprise Wide

— No seat license

— Per annum fee for a 3 year term

— Fees based on number of counterparties

— More Regulations to Come: The ISDA Markit tool will be expanded to include ISDA standard industry protocols to amend documentation for all applicable Dodd-Frank rulemakings.

— Regulatory mandate

— Prepare internally now when the service launches (you can't just turn it on)

— Have message ready for clients as part of Dodd Frank requirements – ISDA Protocol opens 1 August deadline; all client data must be entered and analyzed by 14 October.

— Lower cost of ownership

Thank you.

Disclaimer