AGM SPECIAL

AGM
Reports from the 38th Annual General Meeting

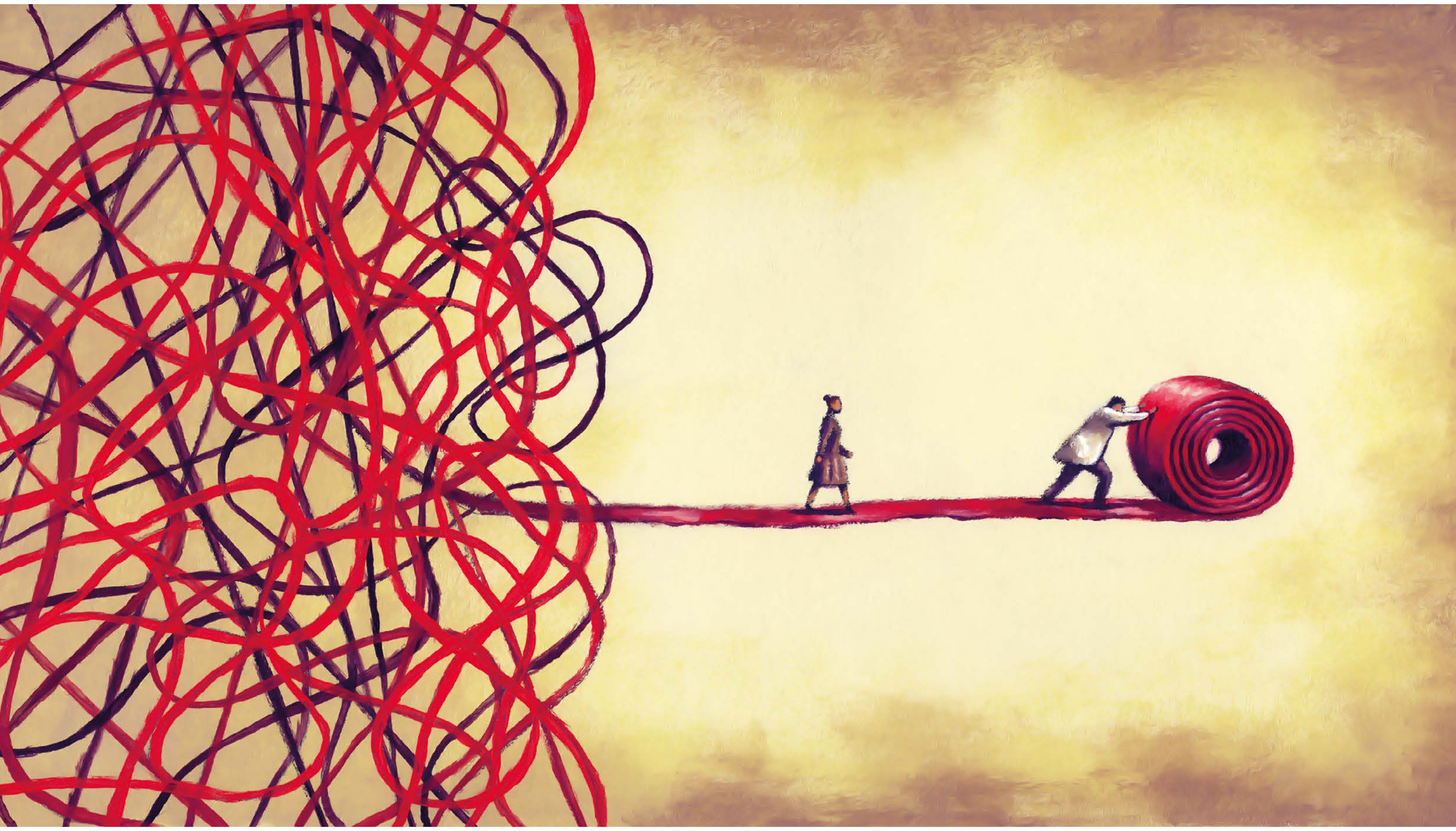
RESEARCH
ISDA Future Leaders in Derivatives on generative AI

COLLATERAL
Collected margin totals $1.4 trillion at end-2023

IQ

ISDA® Quarterly

Vol 10, Issue 2: May 2024 | www.isda.org



*DISRUPTION RESPONSE

Recent market shocks are informing the review of the 1998 FX and Currency Option Definitions and the development of the ISDA Notices Hub

CAPITAL CONTRADICTIONS

People are full of contradictions, but the impact of proposed US capital rules on central clearing is a particularly blatant example. On the one hand, central clearing of derivatives is widely acclaimed by policymakers for reducing risk and increasing the resilience of financial markets. On the other, US prudential regulators apparently see it as so risky that the provision of client clearing by banks warrants an 80% increase in capital, a move that would reduce capacity and increase costs.

This contradiction was a frequent point of discussion at the ISDA Annual General Meeting (AGM) in Tokyo in April, including by US Commodity Futures Trading Commission chair Rostin Behnam, who raised concerns about the impact of the proposed capital rules on clearing during his keynote interview. "We want to incentivise clearing – we want folks to understand the benefits of it and not create unnecessary costs that would disincentivise clearing," he said (see pages 8-9).

According to an industry impact study conducted by ISDA and the Securities Industry and Financial Markets Association, the US Basel III proposals would increase market risk capital for US global systemically important banks (G-SIBs) by between 73% and 101%, depending on the extent to which banks use internal models. However, an ISDA survey suggests the use of internal models is likely to radically shrink due to the complexity of the new trading book requirements – a move described by Jacques Vigner, chief strategic oversight officer for global markets at BNP Paribas, as a return to the "stone age of risk management" (see pages 6-7).

This means the capital impact will likely be closer to a 101% increase, creating capacity constraints for US G-SIBs and raising financing and hedging costs for end users. "We should recognise that impeding banks' ability to make markets and particularly to make markets in stress can come with certain negative consequences," said Brad Tully, managing director and global head of corporate derivatives and private side sales at JP Morgan (see page 10).

This issue of **IQ** looks back at some of the talking points that dominated the AGM. We'd like to take this opportunity to thank our sponsors, speakers and all those who made the trip to Tokyo – we hope you enjoyed it as much as we did.

Nick Sawyer
Global Head of Communications & Strategy
ISDA

ISDA Safe, Efficient Markets
International Swaps and Derivatives Association | www.isda.org
NEW YORK | WASHINGTON | LONDON | BRUSSELS | HONG KONG | SINGAPORE | TOKYO

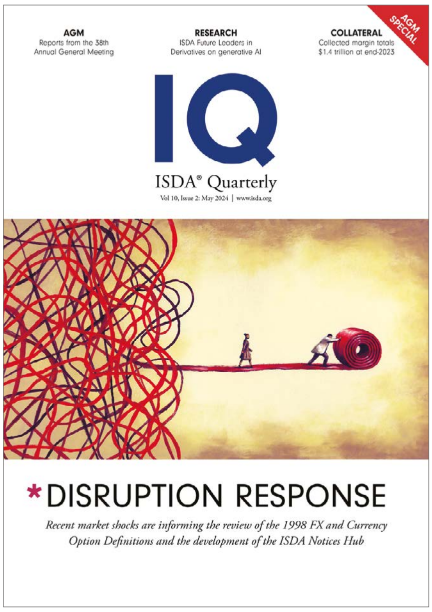
Global Head of Communications & Strategy, **Nick Sawyer**, nsawyer@isda.org
Senior Director, Communications, **Joel Clark**, jclark@isda.org
Global Head of Public Policy, **Steven Kennedy**, skennedy@isda.org
Art Director, **Nick Palmer**, nick@sidelong.co.uk

IQ: ISDA Quarterly is an official publication of ISDA. Statements of fact and opinion expressed are not intended as endorsements.

CONTENTS

Volume 10, Issue 2: May 2024

INSIDE THIS ISSUE



ISDA Preparing for Future Disruption, O'Malia Tells AGM

Recent disruption events, including the COVID-19 pandemic and Russia's invasion of Ukraine, had far-reaching consequences and are informing key ISDA initiatives that will help to prepare the derivatives market for future disruption, according to ISDA chief executive Scott O'Malia.

Speaking at the start of the ISDA AGM in Tokyo on April 17, O'Malia explained how the review of the 1998 FX and Currency Option Definitions and the development of the ISDA Notices Hub both draw on lessons learned from the shocks of the past four years.

"As we lived through recent disruption events, it was common to hear the word 'unprecedented' – and not without reason. Never before have entire workforces suddenly switched to remote working due to a global health crisis, as they did in 2020. It's been a long time since one major country invaded another, with sanctions applied to a group of entities and uncertainty over currency conversion," said O'Malia.

"Every disruption event brings new challenges that can test legal and operational resilience. ISDA is committed to addressing these challenges by continuing to develop mutualised solutions so we're better prepared to navigate bumps in the road," he added.

The need to review and update the FX definitions was reinforced by the sanctions on Russia after its invasion of Ukraine in February 2022, which had implications for the deliverability of the ruble that were not contemplated by the existing definitions. When ISDA surveyed market participants last year to determine the scope of the project, a review of disruption events and fallbacks emerged as a top priority.

Speaking during an AGM panel discussion on managing disruption, participants agreed that the FX definitions have served the market well, but it is now time to update certain provisions, including those relating to disruption events. In particular, four of the disruption events in the FX definitions use an impossibility standard to determine the applicability of disruption fallbacks – panellists concurred that consideration should be given to whether that standard remains appropriate, or whether a less onerous standard might work better.

"Impossibility presents a very high threshold to satisfy, as it would be necessary to show that performance had become physically or legally impossible and not merely tougher or less profitable given the economic situation. Certainly, it was insufficient that performance would impose a significantly increased operational burden or that the payment for rubles was affected when there were other more difficult or expensive alternatives. I think, under these circumstances, it was generally very difficult to establish that performance was impossible and market participants found it very difficult to trigger any of these disruption events," said Deepak Rangoonwala, director, associate general counsel at Deutsche Bank.

The review of the FX definitions is now underway, with the aim of completing the drafting next year. In his opening remarks, O'Malia urged all stakeholders to play their part and engage in the project – a message that was reiterated by panellists.

"It is the 1998 FX definitions that we're looking at revamping – they are over 25 years old and a lot has happened since then, so I think it's very important to reiterate that there are a number of issues to consider and it's very important that people in the market are engaged and participate to make sure the new iteration is fit for purpose and fit for what people want," said Navin Desor, regional head of legal, markets and securities services, Asia Pacific, at HSBC.

"The impossibility standard in some of the disruption events, such as inconvertibility and non-transferability, is a very high standard to meet, but the advantage of it is it's a certain standard," Desor added. "The problem is that maybe it's too high a bar. One of the options that has been discussed is lowering that bar so that, for example, you have an impracticability standard. Of course, that might be easier to trigger, but then the question becomes what is impracticability and are you going to have sufficient consensus on that? Do people want a standard that arguably is more nebulous than what you have with impossibility?"

Notices Hub

The proposed development of the ISDA Notices Hub was also cited as an example of how ISDA is addressing issues relating to market disruption. The facility would enable instantaneous delivery and receipt of notices from anywhere in the world via an online platform, addressing the problems that can arise with the physical delivery of termination notices to a counterparty's office address listed in its ISDA Master Agreement.

"Delays in the delivery and receipt of notices can have serious economic consequences, creating uncertainty over the time at which trades can legally be valued prior to close out. Our analysis has shown that delays in the delivery of a termination notice can result in losses running to millions of dollars," said O'Malia.

Physical delivery becomes particularly problematic when a firm moves offices but doesn't update its documentation. In such a scenario, the firm's counterparties might deliver notices to the listed address, even though it is no longer occupied, or to the new address, even though it is not the listed address. Alternatively, notices could be delivered to both addresses, but this raises questions over which notice is effectively delivered and when.

▲ Deepak Rangoonwala

Based on an analysis of 255 terminated derivatives relationships following the insolvency of Lehman Brothers International (Europe) (LBIE) in 2008, ISDA and LBIE administrators from PwC found that around 16% of termination notices had been delivered to LBIE's old address (either exclusively or in addition to the new address). If representative of the entire portfolio of nearly 3,400 ISDA Master Agreements, then as many as 550 termination notices could have been sent to the previous address. As well as creating uncertainty for senders of notices, a recipient that is unaware it has received a notice may miss the chance to take action to avoid a default or not realise it has become unhedged.

Problems also arose during the pandemic, when offices were vacant and it became difficult to deliver notices and for relevant personnel to know a notice had been received. Another issue emerged following the Russian invasion, when notices couldn't be delivered to offices located in an area of hostility.

"It's a mess – it's really hard to work through some of these issues, and what practically ends up happening is you do your deliveries in accordance with what your contract prescribes, even if you know it's not the right address, and you will also do it in accordance with how you think it should apply, so there will be actual delivery and actual receipt as well. It's something you can work through, but I think there is also a desire to find an easier way to navigate through those issues," said HSBC's Desor.

The ISDA Notices Hub would act as a secure central platform for firms to deliver notices, with automatic alerts sent to the receiving entity. Multiple designated people at each firm would be able to access the hub from anywhere in the world, regardless of the situation at its physical location. The platform would be free for buy-side users and available via S&P Global Market Intelligence's Counterparty Manager platform, with a target launch date of the first quarter of 2025.

"Speed and certainty are the two key things when you're going through a close out. Because we're delivering notices today on paper, we're really giving up speed and certainty. With the Notices Hub, we will have speed like we've never had before, because delivery will be instantaneous once the work is done by the delivering party to actually draft the notice and get it signed off internally," said Doug Donahue, partner at Linklaters.

Following the AGM, ISDA launched a major industry outreach initiative to establish support for the Notices Hub among dealers and buy-side firms. To help firms signal their intent to adopt in principle, ISDA has developed a written specification of the platform along with a high-level survey of ISDA's e-contract counsels, which has found there would be no obvious impediment to using such a hub to serve notice in at least 58 jurisdictions.

"We all have a part to play in addressing the proven flaws in the termination process, so I urge everyone to get onboard and help us bring this project to fruition," said O'Malia. IQ

"Every disruption event brings new challenges that can test legal and operational resilience. ISDA is committed to addressing these challenges by continuing to develop mutualised solutions so we're better prepared to navigate bumps in the road"

Scott O'Malia, ISDA

More information on the ISDA Notices Hub is available here: www.isda.org/isda-notices-hub

Basel Committee Urged to Address Deviations in Capital Rules

As the final parts of the Basel III framework are implemented around the world, the Basel Committee on Banking Supervision has a responsibility to address the divergences that have emerged in key jurisdictions, according to ISDA chairman Eric Litvack.

"It's not good enough to agree a particular standard, see it deployed differently by different regulators and then simply shrug your shoulders. These deviations have an impact. If each jurisdiction takes its own path, it creates challenges for globally active firms to manage risk consistently and efficiently. It also makes it much more difficult for banks to service their international clients, reducing competition and choice," said Litvack in his chairman's remarks at the ISDA AGM on April 18.

In several cases, Litvack said, divergences have emerged because of miscalibrations at the Basel level, which have prompted individual regulators to apply their own fixes. One example is the inclusion of client clearing transactions in the credit valuation adjustment charge, which would result in inappropriately high capital requirements for clearing businesses. EU and UK regulators have opted not to include this requirement in their rules, but the inclusion in the proposed US rules has given rise to widespread industry concern (see pages 8-9).

In addition, implementation of the standardised approach for counterparty credit risk has diverged internationally as different jurisdictions have sought ways to alleviate excessively burdensome standards.

"There will always be some instances of divergence, as regulators will inevitably adapt certain requirements to suit the individual characteristics of their domestic markets. But if those deviations are rife, it suggests there's something wrong with the standard itself," said Litvack.

"We would urge the Basel Committee to look closely at why deviations have occurred and how individual jurisdictions have responded and then revisit the standards. We need a baseline set of requirements that work across the world and enable efficient risk transfer," he added.

The impact of the final phase of Basel III on bank capital requirements will vary depending on the rules in each jurisdiction, but ISDA's analysis of the US proposals, based on input from the eight US global systemically important banks, has shown market risk capital requirements would increase by between 73% and 101%, depending on the extent to which banks use internal models.

Given the more punitive tests for the approval of internal models, their use is likely to fall significantly when the Basel III rules are implemented. ISDA surveyed 40 banks in 2023 and found 97.5% currently have internal model approval, but only 52.5% intend to adopt internal models under the new market risk capital framework, known as the Fundamental Review of the Trading Book (FRTB). The survey also found the desk-level application of internal models will decline from an average of 86% under Basel 2.5 to 31% under the FRTB.

"We know banks worldwide are planning to shrink their use of internal models because of the complexity of the trading book requirements. That means the impact will likely be closer to the upper bound of 101%. In the US and around the world, that remarkable increase in required capital will be a challenge for the cost and availability of market risk services provided by banks," said Litvack.

Speaking during a panel discussion on the capital reforms at the AGM on April

▲ From left: ISDA's Mark Gheerbrant, Sebastian Crapanzano, Eduardo Epperlein, John Pucciarelli, Tomoki Tanemura and Jacques Vigner

17, market participants shared their concerns over the impact the expected fall in the use of internal models will have on risk management.

"In principle, a models-based approach should lead to more accurate risk measurement in your trading book, and it should help align risk management and capital decisions. That's the principle and that's what the goal is for having an internal models approach. However, with the way the proposal has the approval set up, there are a lot of non-modellable add-ons that create frictions for diversified business models and actually have the models-based approach look much more like the standardised approach," said Sebastian Crapanzano, managing director and global head of fixed income business unit risk management at Morgan Stanley.

Jacques Vigner, chief strategic oversight officer for global markets at BNP Paribas, described the FRTB standardised approach as the "stone age of risk management".

"We should refrain from going to the standardised approach. Internal models are key because they stick to the risk, and whenever capital is at odds with risk, then the bank is not well managed because the traders and managers make the wrong decisions – they look at the capital and the risk is different. It can lead to big issues and arbitrage," said Vigner.

The challenge of using internal models, however, is the significant costs and resources banks will need to deploy to meet the FRTB's requirements. These include the profit and loss attribution test, which is designed to ensure alignment between a bank's risk and front-office pricing models, as well as the framework for non-modellable risk factors.

"It's extremely expensive, both in terms of the technology and human capital, to implement a programme like this, and that's a consideration for large banking organisations. When you combine that with the uncertain implementation timelines that regulators will potentially propose, it's hard to make those budgeting decisions, not knowing what your timeline is for approval, combined with the technology and human costs," said Crapanzano.

> "It's not good enough to agree a particular standard, see it deployed differently by different regulators and then simply shrug your shoulders. These deviations have an impact. If each jurisdiction takes its own path, it creates challenges for globally active firms to manage risk consistently and efficiently"
>
> **Eric Litvack, ISDA**

In an audience poll, AGM delegates were asked whether the Basel Committee should consider a 'Basel III Refit', given the high level of divergence from the Basel standards. In response, 49% said this should be done as soon as possible to address level playing field issues, while 46% said it should be done only after 2025, once every jurisdiction has implemented the current rules. Only 5% of delegates said a Basel III Refit should be avoided as rule stability is more important than a level playing field.

Vigner described Basel III and its European iteration – the third Capital Requirements Regulation (CRR III) – as a "great gift to shadow banking", warning policymakers that excessive increases in bank capital would not improve financial stability. He cited an estimate made last year that full implementation of Basel III will require European banks to raise €180 billion in tier-one capital, which translates to a €3 trillion loss in lending capacity.

"In Europe, as in Japan, Asia and the US, we have big challenges to address: climate and energy transition, technology investments and education. We have 500 million people in Europe – it's a big community – but we unfortunately also have war at the doors, so we need to invest in defence capacity as well. This shortfall in lending capacity will not be welcome and there is a risk it could contribute to economic recession," said Vigner.

In his remarks, Litvack said ISDA would continue to advocate for consistent, risk-sensitive and appropriate capital rules, as shown in the recommendations for calibration changes that were submitted to US prudential regulators in January.

"ISDA will work with regulators to highlight the worst excesses in the various national rules to achieve a framework that is risk appropriate and as globally consistent as possible. That will allow banks to continue providing the essential financing and risk management services that support economic growth," said Litvack.

CFTC Engaging with Prudential Regulators on Clearing, Says Behnam

Following the publication of proposed rules to implement the final parts of the Basel III framework in the US, the Commodity Futures Trading Commission (CFTC) has engaged with US prudential regulators as part of an effort to ensure the capital rules do not inflict disproportionate costs on clearing businesses, according to CFTC chairman Rostin Behnam.

"We're making a case about what we're seeing in our markets and then ultimately wanting to focus on incentives and disincentives. We want to incentivise clearing – we want folks to understand the benefits of it and not create unnecessary costs that would disincentivise clearing," said Behnam, speaking during a keynote interview at the ISDA AGM on April 17.

ISDA has conducted a quantitative impact study based on input from US global systemically important banks (G-SIBs) and found the proposed Basel III rules in the US and the G-SIB surcharge would increase capital for client clearing businesses by more than 80%.

The US Basel III proposals include counting the client-facing leg of a cleared derivatives transaction in the credit valuation adjustment framework, which would add $2 billion to G-SIB capital requirements. Proposed modifications to the complexity and interconnectedness categories of the G-SIB surcharge to include client derivatives cleared under the agency model, among other changes, would add $5.2 billion to capital requirements.

"To impose such a burdensome tax on the low-margin clearing business would be inconsistent with the post-financial crisis policy objective to promote and incentivise clearing. It would inevitably impact banks' capacity to support client clearing. That would be a retrograde step for the entire market and comes at a time when the US Securities and Exchange Commission (SEC) has finalised rules to require increased clearing of certain US Treasury securities," said ISDA chief executive Scott O'Malia in his opening remarks at the AGM.

"We're making a case about what we're seeing in our markets and then ultimately wanting to focus on incentives and disincentives. We want to incentivise clearing – we want folks to understand the benefits of it and not create unnecessary costs that would disincentivise clearing"

Rostin Behnam, CFTC

"Market participants have an important part to play in reducing risk and preparing for disruption, but so do policymakers. The smooth functioning of markets hinges on collaboration and coordination between regulators to avoid unintended consequences," O'Malia added.

While the capital rules do not fall within the CFTC's direct remit, Behnam confirmed the agency has had a dialogue with US prudential regulators and is hopeful the issue will be addressed as industry feedback is considered.

"The cleared derivatives space served as a model for the reforms after the financial crisis for the over-the-counter market. In many respects, the cleared derivatives space has served as a model for the SEC's cash Treasury market clearing reforms. I think there is a general consensus among both the official sector and the private sector that clearing is good. Of course, it's imperfect in some respects, it comes with cost, but it also comes with tremendous benefits for market efficiency, reduction of systemic risk and market resilience," said Behnam.

According to Behnam, the number of futures commission merchants registered →

→ with the CFTC has fallen from 160-170 to 60-70 over the past 25 years, with the top five G-SIBs clearing 60%-70% of the cleared market.

"We've seen significant concentration and reduction in clearing members, and this becomes an issue for access to markets and obviously concentration of risk. We do not want to continue that trend towards a reduction of clearing services," he said.

Behnam confirmed he had discussed the issue with members of the Federal Reserve Board and other US prudential agencies and put together a team at the CFTC to make the case that the provision of clearing services should not be negatively affected by the capital rules.

"The process is going to play out over the next couple of months. I don't know it for sure or with certainty but, having had conversations with the Fed governors and others in this space and what they've said publicly, I think there is a recognition that there are some things that need to be addressed," said Behnam.

"This rule is quite comprehensive so it's important and it's a bit of a challenge to make sure they're focusing on this part, because even though it's a small component of the larger proposal, it's a huge component and it's going to have a huge impact on markets. So, I'm hopeful as they move forward, in whatever way it is, this issue will be addressed," he said. IQ

CFTC Must be "Dynamic" on Swap Block Thresholds

Responding to industry concerns over the impact of swap block thresholds that are due to come into effect from July 1, Commodity Futures Trading Commission (CFTC) chairman Rostin Behnam said the regulator intends to actively analyse the data and adjust the thresholds where warranted.

"We have to be dynamic as a regulator to be able to adjust these thresholds. Not necessarily in real time – I don't think that would benefit anyone – but at least at a proper, predictable cadence over the course of a year or even potentially twice a year, but with predictability from your standpoint and ours that we're going to collect data over a period of time, we're going to analyse the data, we're going to potentially adjust thresholds if the data requires it or suggests we should do it, and then have a predictable back-end process where that threshold changes over some period of time," said Behnam, speaking at the ISDA AGM on April 17.

The block thresholds refer to the size of a swap trade at which parties are permitted to negotiate terms away from a swap execution facility (SEF) without being subject to the trade execution requirements for trading on SEFs. There is also a specified delay in the public reporting of the swap. An increase in the block threshold from a notional amount percentage of 50% to 67% was due to take effect on December 4, 2023, but the CFTC issued no-action relief to extend the deadline to July 1, 2024.

While the extension was welcomed, market participants have raised concerns over the methodology used to calculate the thresholds and the effect of the thresholds on end users. The CFTC's Global Markets Advisory Committee (GMAC) has recommended a further extension to December 4, 2024, along with additional engagement with market participants to ensure the thresholds are appropriately tailored to current market and macroeconomic conditions.

"The commission's work on the issue of appropriate swap block thresholds is not done yet. It is our sincere hope that the commission will undertake the data-driven analysis of this issue that has not been done before, and that staff will not close its mind to a further extension of no-action relief beyond July 1, 2024 to allow the time necessary for that analysis to be expeditiously – but properly – completed, and to allow the GMAC to finish its work and present its findings to the commission," declared CFTC commissioners Summer Mersinger and Caroline Pham in a joint statement in October 2023.

While Behnam did not indicate whether a further extension might be granted, he reiterated the CFTC's commitment to robust analysis of the data.

"We continue to actively look at the data and the number one thing is to make sure the data we're relying on is good data, it's accurate data, it's the latest data. That's not easy from an official sector standpoint. There's always a natural lag between data we collect, filter, analyse and then use as a benchmark or as a foundation for a policy outcome," said Behnam.

The development of a robust process to review data and dynamically update block thresholds will require dialogue with market participants, he added.

"I think the predictability and transparency of that process would actually smooth out a transfer or a change in a block threshold. But it's going to be an interesting process that we have to develop, and we would welcome your engagement over the next couple of months as we get into this implementation phase, figure out what assets might require a rethink of the threshold and then come up with a plan and a process going forward that hopefully will outlast me and this current commission," said Behnam. IQ

Official Sector Focused on Structural Changes in Financial Markets

Vulnerabilities in financial markets – such as the dash for cash in March 2020 and subsequent episodes of market stress – are driving increased scrutiny of counterparty credit risk exposures, transparency and the role of non-bank financial intermediation (NBFI), according to a panel of regulators and market participants at the ISDA AGM on April 17.

"The crux of this from a financial stability perspective is to understand how market microstructural dynamics and the role, behaviour and activities of market participants on the buy side and the sell side can effectively contribute to underlying market price dislocations and market dysfunctions in such a manner as to amplify liquidity strains and undermine the ability of these markets to do what they're designed to do – to clear and provide price discovery," said Damian Shanahan, coordinator of standards development at the IOSCO general secretariat.

"The nexus to the real economy is that if that can't be done, that will hinder and constrain the ability of the corporate sector – the issuers – to fund themselves, to roll over debt and to refinance," he added.

Speaking on the same panel, Brad Tully, managing director and global head of corporate derivatives and private side sales at JP Morgan, warned that impeding banks' ability to make markets, particularly during periods of stress, can come with certain negative consequences. He estimated only 30-40% of market liquidity in certain segments of the US Treasury market is now provided by banks, which have faced balance-sheet constraints as a result of increased capital requirements.


▲ Damian Shanahan


▲ Brad Tully

Tully noted that high-frequency trading firms provide extensive liquidity in business-as-usual environments and play a very important role, but they do have smaller balance sheets than traditional bank-affiliated dealers and they may have limits to their ability to warehouse risk or make markets in periods of stress.

"We've seen pullback from time to time and so, in this context, we don't necessarily see them as a replacement to banks but as a complement to banks. We should recognise that impeding banks' ability to make markets and particularly to make markets in stress can come with certain negative consequences," said Tully.

In response to perceived vulnerabilities in the NBFI sector, global policymakers are addressing a wide range of issues, including leverage, liquidity readiness and margining practices. But Shanahan stressed the official sector is focused on activities rather than specific entities – an approach that was welcomed by Darcy Bradbury, managing director and head of public policy at the DE Shaw Group.

"NBFI is not a categorisation I find particularly helpful for policy analysis. If a scientist categorised animals as mammals and non-mammals, that would give you some information, but it wouldn't really be that helpful. 'Non-banks' include UK pension plans, insurance companies, money market funds, hedge funds and large private equity firms doing private credit lending – each quite distinctive. They're all regulated in some form, and they all provide a lot of data to their regulators. So I would agree it would be best to think of system-wide approaches rather than focusing on particular institutions," said Bradbury.

One area of focus has been a review of margining practices, with recent papers on initial margin and variation margin practices in cleared and non-cleared markets from the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures, IOSCO, and the Financial Stability Board. Bradbury pointed out that the official sector could help to reduce some of these risks, given that margin requirements for non-cleared derivatives have expanded in recent years and become more complex to navigate, with certain differences between jurisdictions.

"The rules are just slightly different in each place. It's inefficient because firms have to manage liquidity across different counterparties, often in multiple jurisdictions where they do business. In times of volatility – certainly in times of crisis – inefficiency becomes risk. Counterparties may stop providing liquidity, sometimes they may be too busy to answer the phone, and there's just more confusion. It may seem a minor thing to try to line up those standards more consistently, but it could have a real impact on systemic risk in times of crisis," said Bradbury. IQ


▲ Darcy Bradbury

Broad Adoption of Digital Platforms Increases Benefits for Users

Widespread adoption of mutualised digital platforms in the derivatives market will increase the efficiencies and benefits for users of those platforms, according to speakers at the ISDA AGM in Tokyo.

"Each one of our mutualised products and services addresses a unique issue, but they have the common goal of improving efficiency and reducing the costs and risks associated with vital processes. They enable firms to reduce their operational costs, allowing precious resources to be focused on revenue generation," said Scott O'Malia, chief executive of ISDA, in his opening remarks on April 17.

▲ Taking a digital approach to derivatives documentation allows firms to onboard new business more quickly and be better placed to manage disruption

ISDA recently brought together its industry platforms and services – which include ISDA Create, ISDA MyLibrary and ISDA's Digital Regulatory Reporting initiative – under a new digital transformation function, with a dedicated team driving further development, alignment and adoption of those products.

"Critically, we can boost the value of our platforms by driving greater adoption. Users benefit from the network effect of more and more firms using the same mutualised solutions. It means everyone has a part to play in delivering the benefits of mutualised solutions," said O'Malia.

When it comes to negotiating and executing legal documentation, the benefits of a mutualised digital platform can be substantial. The ISDA Create platform – a module of CreateiQ, a contract negotiation platform developed by Linklaters – was launched in 2019 to help financial institutions draft, negotiate and execute derivatives documents online. Initially developed to help firms comply with initial margin requirements for non-cleared derivatives, it has since expanded to cover additional documents, including the ISDA Master Agreement, and has been integrated with S&P Global Market Intelligence's Counterparty Manager service.

▲ Gesa Johannsen

Speaking on a panel at the ISDA AGM on April 18, Gesa Johannsen, head of international clearance and collateral management business at BNY Mellon, explained the benefits the firm had gained from using ISDA Create to digitise its account control agreements (ACAs) when implementing phase six of the initial margin requirements for non-cleared derivatives, which came into effect on September 1, 2022. When implementing phase five the previous year, BNY Mellon had executed more than 3,500 ACAs but had found there was a lack of transparency during that process.

"When we were planning for phase six, we expected even higher volumes and we wanted to come up with processing efficiencies and to address the transparency challenge, so we contracted with the CreateiQ platform. They worked with us to digitise more than a dozen of our ACA templates and they created a workflow to ensure all our ACAs were processed in the system. The results were really impressive – we processed approximately 33% more ACAs in phase six than in phase five without having to add any additional headcount in the documentation process," said Johannsen.

"We gained full transparency of any bottlenecks, so we were able to address delays in real time. We gave risk managers time back to focus on commercial outcomes with clients. We increased client satisfaction and the client experience – clients just felt a lot better in phase six, even though it was a more heavy phase. It was better organised and smoother for everyone, so I think it's very clear that we can jointly generate benefits from these systems," she added.

While over 375 firms are currently in production on ISDA Create, the benefits increase further as more parties negotiate via the platform, yielding huge savings in time, effort, cost and resources, said Rallie Shiderova, client director at DRS, a platinum partner on the ISDA Create certified partnership programme.

"Comfort is the enemy of progress, especially when it comes to technology nowadays – if you're not onboard, you're just going to be left behind. It's very common, especially in the legal world, that you stick to what you know, especially if it's not broken – don't change it, stick to the spreadsheet you have been using, stick to an old system that kind of works but not really, store data or some agreements in a personal folder or inbox. But there is a better way, there are many systems available. Critical mass is where the benefits are going to come from. We can only make the legal process easier, more efficient and better for everyone," said Shiderova. IQ

Watch ISDA's animation: A Digital Approach to Documentation: shorturl.at/qKMW4

ISDA's DRR Extended to New Jurisdictions

ISDA is extending its Digital Regulatory Reporting (DRR) initiative to several additional jurisdictions, a development that speakers at the ISDA AGM said would enable firms to implement changes to regulatory reporting requirements cost-effectively and accurately.

"Rather than devoting resources and costs to interpreting and implementing each set of rules, and then doing it all over again if the rules change in future, firms can instead use a code that is tested and validated by industry participants. This allows resources to be redeployed to other projects and reduces the potential for regulatory penalties due to misreported data. Now, there is some initial heavy lifting to get started, as with any IT project, but we think the cost and efficiency benefits more than make this worthwhile," said ISDA chairman Eric Litvack in his remarks on April 18.

Regulators around the world are revising their reporting rules to incorporate globally agreed data standards to improve the cross-border consistency of what is reported and the format in which it is submitted. While more aligned, disparities will continue to exist in the various rule sets, meaning firms cannot take the work completed for one jurisdiction and apply it to another. Each set of requirements will need to be individually interpreted and applied, but there's no guarantee each firm will interpret the requirements in the same way, leading to inconsistencies and the potential for regulatory fines for those firms that get it wrong.

ISDA's DRR addresses this by establishing a golden-source interpretation of each rule set, reviewed and agreed by an industry committee. The Common Domain Model (CDM) – an open-source data standard for financial products, trades and lifecycle events – is then used to convert this mutualised interpretation into free, machine-readable code. Firms can either use the ISDA DRR as the basis for implementation or to validate an independent interpretation of the rules.

The first iteration of the ISDA DRR was launched in November 2022, ahead of an initial set of reporting rule changes introduced by the US Commodity Futures Trading Commission (CFTC) on December 5, 2022. The DRR has since been extended to cover amended rules in Japan that came into effect on April 1, 2024, and the EU, which were implemented on April 29, 2024.

The ISDA DRR is now being extended to cover rule amendments due to be introduced under the UK European Market Infrastructure Regulation on September 30, 2024 and by the Australian Securities and Investments Commission and the Monetary Authority of Singapore on October 21, 2024. The ISDA DRR code for all three sets of rules is currently available for market participants to review and test.

The DRR will be further extended to cover rule changes in Canada and Hong Kong, both due in 2025, with the code for those jurisdictions available well in advance of implementation. The DRR for the CFTC rules will also be updated to include further anticipated amendments, currently under consultation at the commission.

"We are very, very busy in regulatory reporting in 2024 – there are firms in the midst of regulatory rewrite mania. CDM-DRR in my opinion is a step change in the way that we as an industry can do regulatory reporting. Firms can take a copy of a code that has been industry agreed in terms of interpretation and they know that for every rewrite to come, those rules will be updated and available," said Omar Iqbal, global head of regulatory reporting and recordkeeping technology at Standard Chartered, speaking on a panel at the AGM on April 18.

The benefits of the DRR also extend to regulators. Enhanced quality and consistency of reported data should help them to identify emerging sources of systemic risk, but they need the necessary systems and processes to analyse and interpret the information.

"It's my sincere wish that regulators invest more in the staff and the tools they need to thoroughly analyse the data and use it in the best way possible, and they coordinate with each other to eliminate the impediments to data sharing that will let them see that broader scope of data," said Tara Kruse, global head of derivative products and infrastructure at ISDA. IQ

▲ Omar Iqbal, Tara Kruse, Steven Kennedy, Priya Kundamal and Struan Lloyd

No Silver Bullet to Reduce Margin Procyclicality in Cleared Market

Recent episodes of market volatility, such as the dash for cash in March 2020, have highlighted potential challenges caused by sudden large increases in margin requirements, but there is no silver bullet to resolve this issue, according to speakers on a panel sponsored by Japan Securities Clearing Corporation at the ISDA AGM on April 18.

"Recent episodes in Europe and the failure of some regional banks in the US have not caused major disruption in the derivatives market. I believe that is at least partly thanks to central clearing and margin practices. However, central clearing and margin are not almighty. In particular, the procyclicality of margin – namely, the liquidity constraints some market participants would face due to a sharp increase in margin calls in times of stress – is an issue discussed for a long time," said Yuji Yamashita, deputy commissioner for international affairs at Japan's Financial Services Agency.

> "Predictability and transparency are very important because we, as end clients, need as much visibility as we can to plan ahead, anticipate our collateral needs, manage our liquidity and manage our positions"
>
> **Stéphane Marot, AXA Investment Managers**

On January 16, the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions published a consultative report that set out 10 policy proposals to improve the resilience of the cleared derivatives market in times of stress. These proposals include requiring central counterparties (CCPs) to publicly disclose and describe the anti-procyclicality tools used in their models.

According to Yamashita, addressing procyclicality of initial margin (IM) requires a trade-off between three factors – responsiveness, coverage and cost.

"Unfortunately, it is difficult to find a silver bullet to remove the procyclicality from CCPs' IM. Therefore, I believe an appropriate balance of these three dimensions is extremely important, and a prerequisite for a good balance is strong governance of the CCPs with regard to the design and modelling of IM. It is also very important that CCPs, clearing members, clearing customers, users of non-cleared markets and other relevant parties keep good communication," Yamashita explained.

Stéphane Marot, head of derivatives, Asia, at AXA Investment Managers, warned against a situation in which CCPs that implement anti-procyclicality tools make themselves uncompetitive and lose market share to other entities.

"Of course, we need to find a balance – we don't want overly simplistic models that are just going to be uncompetitive. Predictability and transparency are very important because we, as end clients, need as much visibility as we can to plan ahead, anticipate our collateral needs, manage our liquidity and manage our positions," said Marot.

Female Leaders Can Help Further Diversity, Say WIFM Panellists

Senior female practitioners in the derivatives market have a responsibility to mentor and support the development of other women within their own organisations, according to speakers on an ISDA AGM panel supported by Women in Financial Markets (WIFM) and sponsored by ICE.

"As senior women, we have a huge responsibility to help other women in this industry on several fronts – to grow in their careers, to take on growth opportunities, to help them to better prepare for promotions, to help them develop confidence and gravitas where needed, and to help them to have access to decision-making forums and have experience in those forums," said Esra Turk, co-head of Europe, the Middle East and Africa institutional client group, co-head of Latin America investment bank coverage and co-head of global emerging market sales at Deutsche Bank.

WIFM, formerly known as Women in Derivatives, has a mission to connect, elevate and advance women in the financial services industry and is committed to driving change through education, mentoring and creating connections.

"There has to be an active responsibility to be sponsors, mentors and everything else in between. This is clearly a moral imperative, but there is also huge economic benefit because, if we include people who are not like us in the decision-making forums, we can come up with out-of-the-box solutions. So, this is really about performance and inclusion – we get much better results if we have that diversity," said Turk.

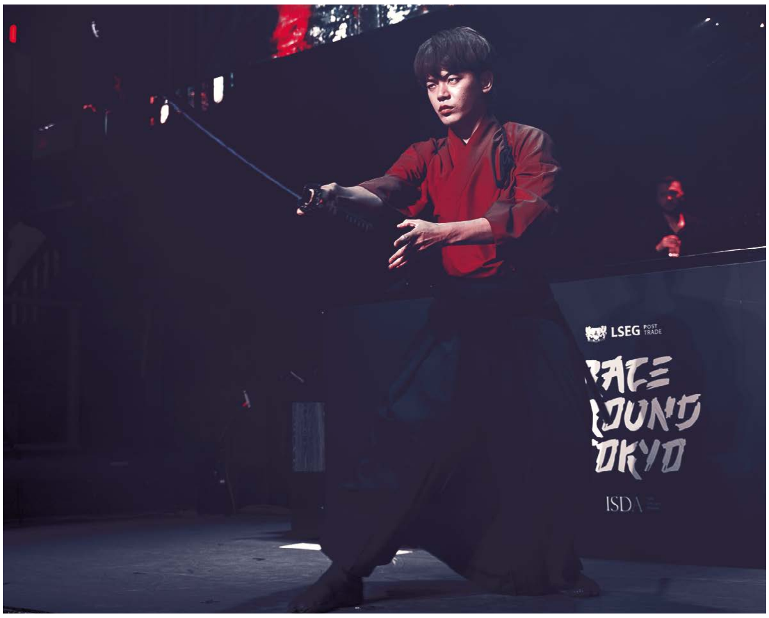
Joanne Rowe, corporate risk officer at ICE, noted that the exchange had one female board member 10 years ago, but six out of its 10 directors are women and three out of 10 are persons of colour today.

"It's incumbent on all of us to be developing the pipeline. If you cannot mention at least five people that you're mentoring in some fashion or another, then you're not doing service to yourself and the careers that you're currently in," said Rowe.


ISDA
38th AGM
TOKYO
April 16-18, 2024
GOLD SPONSOR
Linklaters
SILVER SPONSORS
Katten
DTCC


ISDA
38th AGM
TOKYO | 東京
April 16-18, 2024


TOKYO | 東京
April 16-18, 2024


LSEG

EVENING EVENT SPONSORS

PLATINUM SPONSORS

GOLD SPONSORS

SILVER SPONSORS

EXHIBITORS

* A Buffer Against Stress

As firms continue to come into scope of regulatory initial margin requirements, ISDA's annual survey shows the amount of margin collected by 32 leading derivatives market participants totalled $1.4 trillion at the end of 2023

At the end of 2023, 32 leading derivatives market participants had collected $1.4 trillion of initial margin (IM) and variation margin (VM) for their non-cleared derivatives exposures, unchanged from last year, according to the ISDA Margin Survey, which was published at the start of the ISDA AGM on April 17.

The $1.4 trillion total comprises $462.0 billion of IM and $944.5 billion of VM, which compares to $325.7 billion of IM and $1.1 trillion of VM at the end of 2022. The 32 market participants that responded to the survey include all 20 of the firms subject to the first phase of regulatory IM requirements in September 2016 (phase-one firms), five of the six phase-two firms and seven of the eight phase-three entities.

IM and VM collected by the 20 phase-one firms, which represent the largest derivatives dealers, totalled $1.3 trillion at the end of 2023, a 0.6% decline versus year-end 2022. That encompasses $432.3 billion of IM (a 40.8% rise from $307.2 billion collected at the end of 2022) and $851.0 billion of VM (a 13.5% drop from $983.7 billion collected at the end of 2022).

"The introduction of the sixth phase of the margin rules in September 2022 means more entities than ever before need to post IM for their non-cleared derivatives exposures, and additional firms continue to come into scope each year. This significantly reduces counterparty credit risk, but it does also mean that large amounts of high-quality liquid assets need to be sourced to meet margin calls, which means collateral management processes need to be as efficient as possible," says Scott O'Malia, chief executive of ISDA.

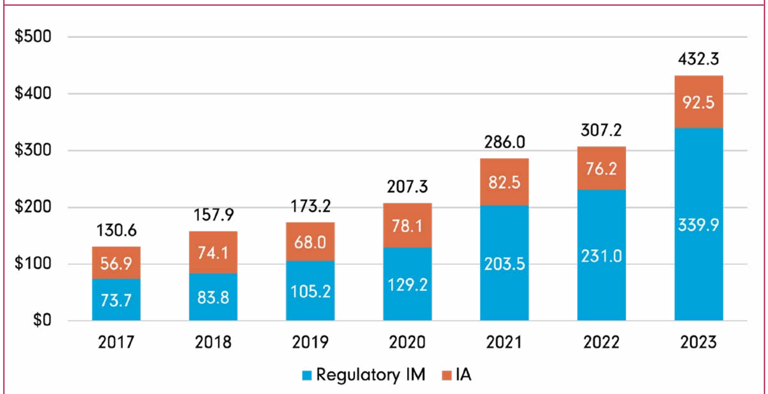
Of the $432.3 billion of IM collected by phase-one firms, $339.9 billion was required under global margin regulations. This represents a rise of 47.1% compared to $231.0 billion of regulatory IM collected at year-end 2022 (see Chart 1). The amount of regulatory IM continues to grow as more firms become subject to the IM rules.

A further $92.5 billion of IM collected by phase-one firms was independent amount (IA) received from counterparties not currently in scope and/or for transactions not covered by the margin rules, including legacy transactions. This represents a 21.4% increase from the $76.2 billion of IA collected at year-end 2022. The drop in discretionary IM reflects the rise in the number of firms subject to regulatory margin requirements.

Of the $851.0 billion of VM collected by phase-one firms, $587.4 billion was required under global margin regulations, a 15.5% decline from $695.4 billion at year-end 2022 (see Chart 2).

An additional $263.6 billion of discretionary VM was collected by phase-one firms from counterparties and/or transactions not covered by the margin rules, including legacy transactions. This represents a fall of 8.6% ($24.7 billion) compared to $288.3 billion of discretionary VM collected at year-end 2022. The decline in discretionary VM is likely due to fewer legacy transactions covered by

CHART 1: REGULATORY IM AND IA RECEIVED BY PHASE-ONE FIRMS (US$ BILLIONS)



"The introduction of the sixth phase of the margin rules in September 2022 means more entities than ever before need to post IM for their non-cleared derivatives exposures, and additional firms continue to come into scope each year"

Scott O'Malia, ISDA

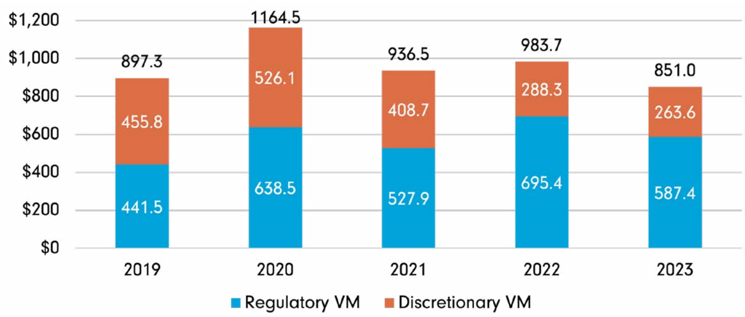
discretionary VM and more new transactions in scope of regulatory VM.

The 12 other firms that participated in the survey (five phase-two and seven phase-three entities) collected $29.6 billion of IM at the end of 2023, including $28.6 billion of regulatory IM and $1.0 billion of IA. These 12 firms also collected $93.5 billion of VM, including $73.3 billion of regulatory VM and $20.2 billion of discretionary VM.

As well as margin requirements for non-cleared derivatives, the survey reports the amount of IM posted by all market participants to major central counterparties (CCPs). Total IM posted for cleared interest rate derivatives (IRD) and single-name and index credit default swaps (CDS) reached $392.2 billion at the end of 2023, a 2.0% increase compared to $384.4 billion at the end of 2022.

Of this, $331.8 billion was posted for cleared IRD transactions and $60.4 billion was posted for cleared CDS transactions. Open interest in IRD products across five major CCPs totalled $462.2 trillion at year-end 2023, while open interest in CDS products at four major CCPs was $2.8 trillion at year-end 2023.

CHART 4: REGULATORY AND DISCRETIONARY VM RECEIVED BY PHASE-ONE FIRMS (US$ BILLIONS)



Read the ISDA Margin Survey Year-end 2023 in full:
shorturl.at/crBX1

SURVEY METHODOLOGY AND PARTICIPANTS

The ISDA Margin Survey assesses the amount and type of collateral 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 regulatory initial margin (IM) requirements 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. Responses were received from five of the six phase-two entities and seven of the eight phase-three firms subject to the margin rules.

Phase-four, phase-five and phase-six firms became subject to the IM regulations in September 2019, September 2021 and September 2022, respectively. These firms were not directly included in the survey, but IM and VM received from and posted to these entities was captured in margin data reported by the survey participants.

For cleared derivatives, the survey uses publicly available margin data from two US central counterparties (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 and OTC Clearing Hong Kong Limited). The collected data only reflects IM for interest rate derivatives and credit default swaps.

* Opportunity and Risk

Generative artificial intelligence has the potential to unlock new sources of growth, innovation and resilience in the derivatives market if the risks are properly managed, according to a new whitepaper from ISDA Future Leaders in Derivatives

The latest whitepaper from the ISDA Future Leaders in Derivatives (IFLD) programme, published at the ISDA AGM in Tokyo on April 18, sets out guidance for industry stakeholders, regulators and technology providers seeking to harness the power of generative artificial intelligence (genAI) in transforming the over-the-counter (OTC) derivatives market.

The whitepaper, *GenAI in the Derivatives Market: a Future Perspective*, was developed by the third cohort of IFLD participants, who began working together in October 2023. The 38 individuals in the group represent buy- and sell-side institutions, law firms and service providers from around the world.

After being selected for the IFLD programme, they were asked to engage with stakeholders, develop positions and produce a whitepaper on the potential use of genAI in the OTC derivatives market. The participants were also given access to ISDA's training materials, resources and staff expertise to support the project and their own professional development.

Drawing on industry expertise and academic research, the whitepaper identifies a range of potential use cases for genAI in the derivatives market, including document creation, market insight and risk profiling. It explores regulatory issues in key jurisdictions and addresses the challenges and risks associated with the use of genAI.

The paper concludes with a set of recommendations for stakeholders (see box). These include investing in talent development, fostering collaboration and knowledge sharing with technology providers, prioritising ethical AI principles and engaging with policymakers to promote an appropriate regulatory framework.

"The rapid development of artificial intelligence has generated considerable attention, both within financial markets and across society more broadly. As the technology advances, there is a significant opportunity for genAI to support more efficient, data-driven decision making in the derivatives market, but we need to approach this carefully, making sure the implications and risks of the technology are considered, so I commend the IFLD for completing this paper, which makes a valuable contribution to this fast-evolving topic," says Scott O'Malia, chief executive of ISDA.

"This year's IFLD group was drawn from a diverse range of institutions and jurisdictions, and we have worked together over the past six months to explore the development of genAI in the global derivatives market. It is clear this technology has the potential to add significant value to multiple industry processes. We hope the paper will help market participants, policymakers and other stakeholders as they look to harness the technology and address the associated challenges," said IFLD participant Takuya Otani, director, counterparty portfolio management desk at Mizuho.

Use cases

GenAI is rapidly becoming a useful tool across industries, with the ability to significantly reduce the time taken to produce work. By embracing genAI, organisations can unlock new opportunities for efficiency, innovation and compliance in an increasingly complex market – and the paper highlights several possible use cases for genAI in the derivatives market.

For example, it could be used to summarise complex derivatives agreements and suggest clauses based on deal terms and firms' existing agreements, potentially reducing negotiation and drafting costs. It could extract unstructured data from derivatives documentation and provide summaries of transactions required for operations and front-office processes.

It could also be used to synthesise various jurisdictional regulations and present these in an easy-to-read format, comply with industry or firm standards and provide checks against trades and trade documentation. While not a replacement for a human lawyer, it could significantly accelerate the review process and act as an additional regulatory compliance check.

Other use cases identified in the paper include analysing information, including nuanced human emotion data, to provide market insights that can be useful in trading, and improving operational efficiencies – for instance, by summarising margin and collateral requirements for the business and assisting in selecting the least costly collateral. GenAI could also be used to propose new code changes, which McKinsey has estimated could make coding up to 56% faster.

Challenges and risks

While these use cases potentially offer great efficiencies, the paper notes that the use of genAI does not come without challenges and risks. For example, data breaches can be a significant challenge and can lead to reputational, confidentiality, intellectual property and legal risks. The use of genAI for trading could also create regulatory issues and lead to fines and sanctions from financial regulators without proper oversight, while model failure could lead to erroneous trades and diminished trust within a financial institution.

RECOMMENDATIONS

The ISDA Future Leaders in Derivatives paper, *GenAI in the Derivatives Market: a Future Perspective*, makes several recommendations for stakeholders and decision-makers.

These include:

- Investing in talent development and upskilling initiatives to build artificial intelligence (AI) capabilities and expertise within organisations.
- Fostering collaboration and knowledge sharing partnerships with technology providers, academia and regulatory bodies to drive innovation and best practices.
- Prioritising ethical AI principles and responsible AI governance frameworks to mitigate risks relating to bias, fairness and transparency.
- Engaging with policymakers to promote an appropriate regulatory framework that fosters innovation while safeguarding market integrity and investor protection.
- Continuously monitoring emerging trends and developments in genAI to identify new opportunities and adapt strategies accordingly.

By adopting a proactive and collaborative approach to the adoption of genAI, stakeholders and decision-makers can position themselves to harness the transformative potential of AI in the derivatives market, driving growth, innovation and resilience, the paper states.

The paper notes there are steps companies can take to mitigate these challenges and risks, such as formulating a comprehensive governance framework for the use of genAI within their firms and by their third-party vendors. Companies could also ensure any recommendations or materials produced by AI are acted upon only by humans who can take responsibility for the ultimate decisions of the company.

Other steps include implementing comprehensive cyber security and data security policies to safeguard IT systems from cyberattacks and malicious use of genAI technology and developing risk mitigation policies to ensure models conform to expected results and any deviation or failure can be quickly corrected. IQ

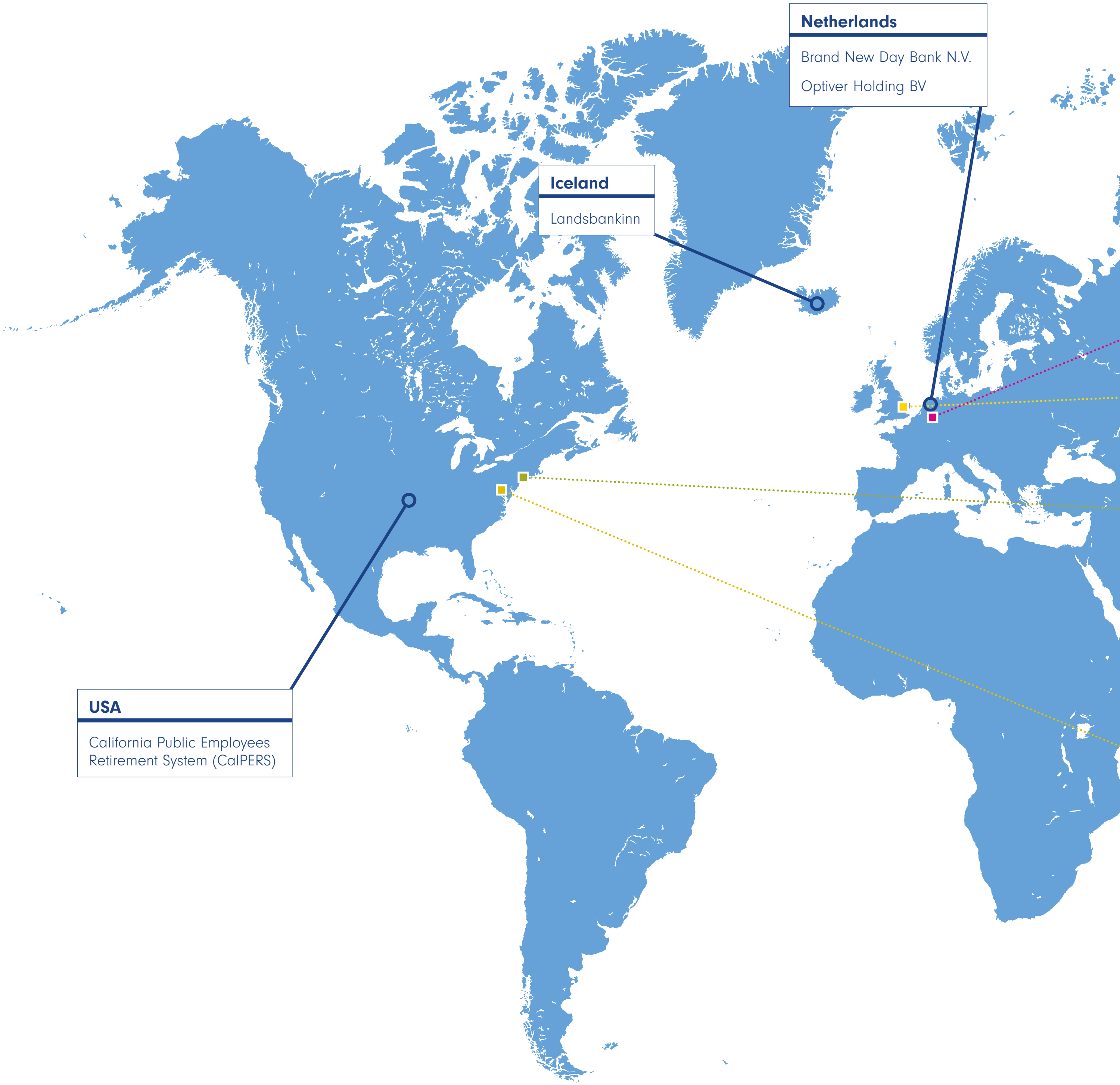
Read the IFLD paper, *GenAI in the Derivatives Market: a Future Perspective*, in full: shorturl.at/csMUV

ABOUT THE IFLD

The ISDA Future Leaders in Derivatives (IFLD) programme aims to make a positive impact on the future of the derivatives industry by identifying a diverse group of emerging leaders across the industry. The programme has four core objectives: to create an active forum for networking and discussion of industry topics and future industry trends; to increase the demographic, cultural and professional diversity of senior leaders within the financial services sector; to support emerging leaders in developing soft skills and technical expertise; and to develop and produce content on issues of strategic importance to ISDA and its members. For more information on the IFLD programme, contact IFLD@isda.org or visit: bit.ly/43eOpBa

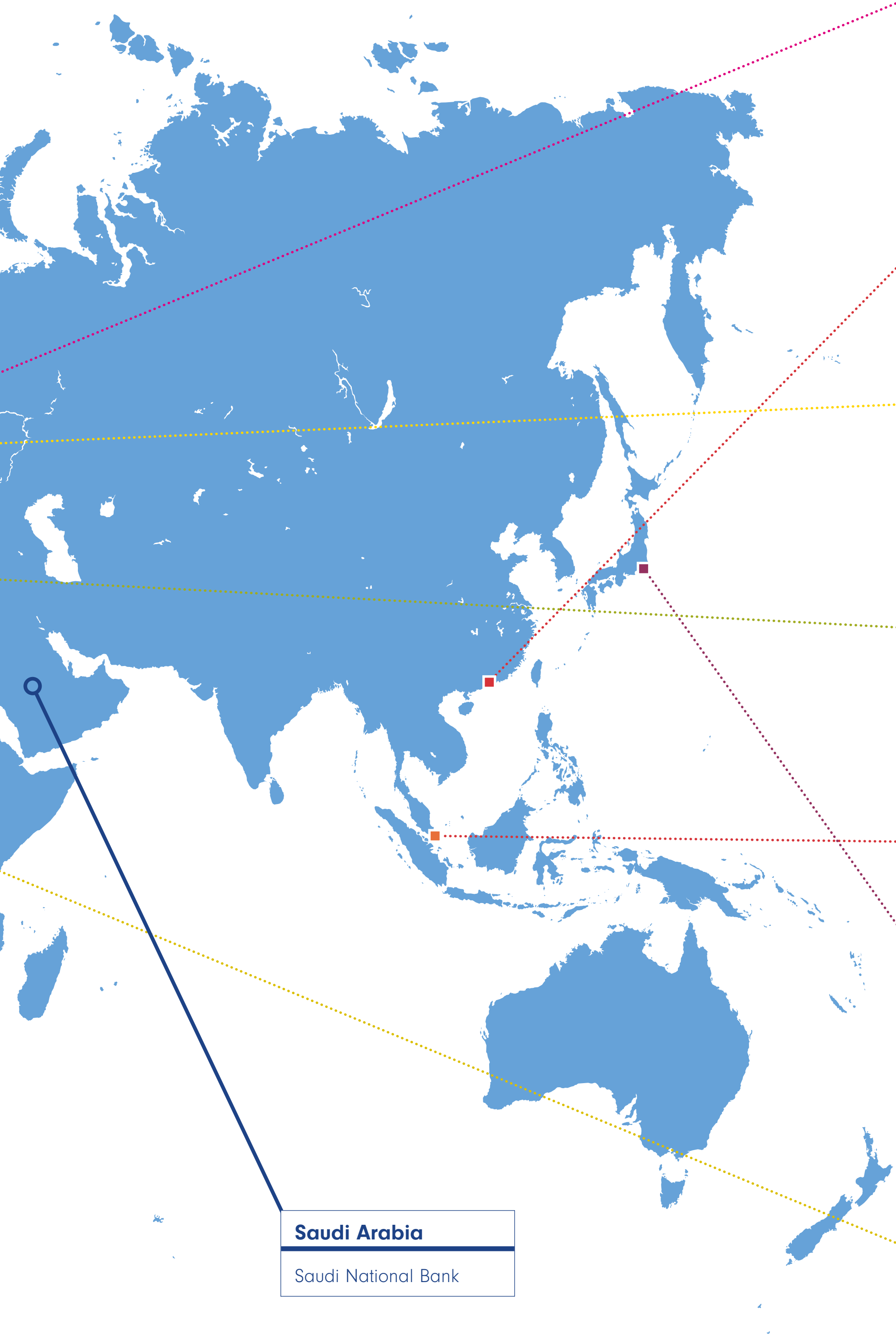
NEW ISDA MEMBERS

A big welcome to all new members that have recently joined ISDA.
We look forward to working with you in the future



For additional information on joining ISDA, please visit the ISDA Membership

OFFICE LOCATIONS



BRUSSELS

2nd floor, Square de Meeûs 5/6
1000 Brussels
Belgium
Phone: 32 (0) 2 808 8013
isdaeurope@isda.org

HONG KONG

Suite 1602, 16th Floor, China Building
29 Queen's Road Central
Central, Hong Kong
Phone: 852 2200 5900
Fax: 852 2840 0105
isdaap@isda.org

LONDON

25 Copthall Avenue, 3rd Floor
London EC2R 7BP
United Kingdon
Phone: 44 (0) 20 3808 9700
Fax: 44 (0) 20 3808 9755
isdaeurope@isda.org

NEW YORK

10 East 53rd Street, 9th Floor
New York, NY 10022
Phone: 1 212 901 6000
Fax: 1 212 901 6001
isda@isda.org

SINGAPORE

One Raffles Quay
North Tower, #49-51A
Singapore 048583
Phone: 65 6653 4170
isdaap@isda.org

TOKYO

Otemachi Nomura Building, 21st Floor
2-1-1 Otemachi
Chiyoda-ku, Tokyo 100-0004
Phone: 813 5200 3301
Fax: 813 5200 3302
isdajp@isda.org

WASHINGTON

600 13th Street, NW, Suite 320
Washington, DC 20005
Phone: 1 202 683 9330
Fax: 1 202 683 9329
isda@isda.org

Portal at **https://membership.isda.org/**

BOARD OF DIRECTORS

OFFICERS

Eric Litvack, Chairman
Managing Director, Group Director of Public Affairs
Société Générale

Axel van Nederveen, Vice Chairman
Managing Director, Treasurer
European Bank for Reconstruction and Development (EBRD)

Jack Hattem, Secretary
Managing Director, Global Fixed Income
BlackRock

Darcy Bradbury, Treasurer
Managing Director
D. E. Shaw & Co., L.P.

DIRECTORS

Charlotte Brette
General Counsel
AXA Investment Managers

Sebastian 'Benny' Crapanzano II
Managing Director and Global Head of Fixed Income Business Unit Risk Management
Morgan Stanley

Christine Cremel
Managing Director, Head of Onboarding, Transaction Management & Clearing
Credit Agricole CIB

Kieran Higgins
Head of Fixed Income Financing, Senior Manager G10 Rates, LM Rates and Markets Treasury
Citigroup

Amy Hong
Head of Market Structure and Strategic Partnerships
Goldman Sachs & Co. LLC

Sian Hurrell
Global Head of Sales and Relationship Management and Head of Global Markets Europe
RBC Capital Markets

Yoji Imafuku
Managing Director, Head of Derivatives Business Planning, Global Markets Division
Mizuho Securities Co., Ltd.

Gesa Johannsen
Head of International Clearance & Collateral Management Business
BNY Mellon

Jeroen Krens
Managing Director, COO, Markets & Securities Services
HSBC Bank Plc.

Daniel Maguire
LSEG Head of Post Trade & LCH Group Chief Executive Officer
London Stock Exchange Group (LSEG)

ISDA EXECUTIVES

LEADERSHIP TEAM

Scott O'Malia
Chief Executive Officer

Katherine Tew Darras
General Counsel

Huzefa Deesawala
Chief Financial Officer

Mark Gheerbrant
Global Head of Risk and Capital

Steven Kennedy
Global Head of Public Policy

Tara Kruse
Global Head, Derivative Products & Infrastructure

Nick Sawyer
Global Head of Communications & Strategy

Lorraine Sneddon
Global Head of Human Resources

SENIOR EXECUTIVES

Clive Ansell
Head of Derivative Products & Infrastructure

Ann Battle
Senior Counsel, Market Transitions

Amy Caruso
Head of Collateral Initiatives

Monica Chiu
Senior Counsel, Asia Pacific

Roger Cogan
Head of European Public Policy

Panayiotis Dionysopoulos
Head of Capital

Lisa Galletta
Head of US Prudential Risk

Benoît Gourisse
Head of Public Policy, Asia Pacific

Jing Gu
Head of Asia, Legal

Perrine Herrenschmidt
Head of Brussels Office, European Public Policy

Erik Tim Mueller
Chief Executive Officer
Eurex Clearing AG

Andrew Ng
Group Executive & Group Head of Global Financial Markets
DBS Bank

Jared Noering
Managing Director, Head of Fixed Income Trading
NatWest Markets

Shigeru Nonomura
Managing Director, Global Markets Japan
Nomura Securities Co., Ltd.

Scott O'Malia
Chief Executive Officer
ISDA

Emmanuel Ramambason
Global Head of Resource Management and Optimization (RMO), Financial Markets at Standard Chartered Bank and Financial Markets Head of Standard Chartered Bank AG
Standard Chartered Bank

Duncan Rodgers
Head of ALM Strategy and Regional Treasury UK & FFT
UBS AG

Joanne Rowe
Corporate Risk Officer
Intercontinental Exchange, Inc.

Marc Seidner
Managing Director, Chief Investment Officer
PIMCO

Michael Stanley
Chief Investment Officer
Bank of America

Niamh Staunton
SVP Finance, Trading and Shipping
bp plc

Brad Tully
Managing Director and Global Head of Corporate Derivatives and Private Side Sales
J.P. Morgan

Esra Turk
Co-Head of EMEA Institutional Client Group, Co-Head of LATAM Investment Bank Coverage, Co-Head of Global Emerging Market Sales
Deutsche Bank AG, London

Jan Mark van Mill
Managing Director of Multi Asset
APG Asset Management

Jacques Vigner
Chief Strategic Oversight Officer for Global Markets
BNP Paribas

Tyler Wellensiek
Managing Director, Global Head of Rates Market Structure and Business Strategy
Barclays

Seslee Howell
Head of Conference Operations & Technology

Marisa Irurre Bauer
Head of Conferences

Ankit Jain
Head of Solutions Adoption

Igor Kaplun
Head of Cyber Security

Ulrich Karl
Head of Clearing Services

Shafqat Malhi
Senior Controller

Jonathan Martin
Head of Derivative Products Management

Olivier Miart
Co-Head of Digital Transformation

Dillon Miller
Chief Technology Officer

Tomoko Morita
Senior Director and Head of Tokyo Office

Mark New
Co-Head of Digital Transformation and Senior Counsel

Nnamdi Okaeme
Head of SIMM

Fred Quenzer
Senior Counsel, Americas

Paola Rensi
Head of Capital Models Benchmarking

Olga Roman
Head of Research

Bella Rozenberg
Senior Counsel & Head of Regulatory and Legal Practice Group

Rick Sandilands
Senior Counsel, Europe

Fiona Taylor
Head of UK Public Policy

Peter Werner
Senior Counsel (Legal Infrastructure and Law Reform)

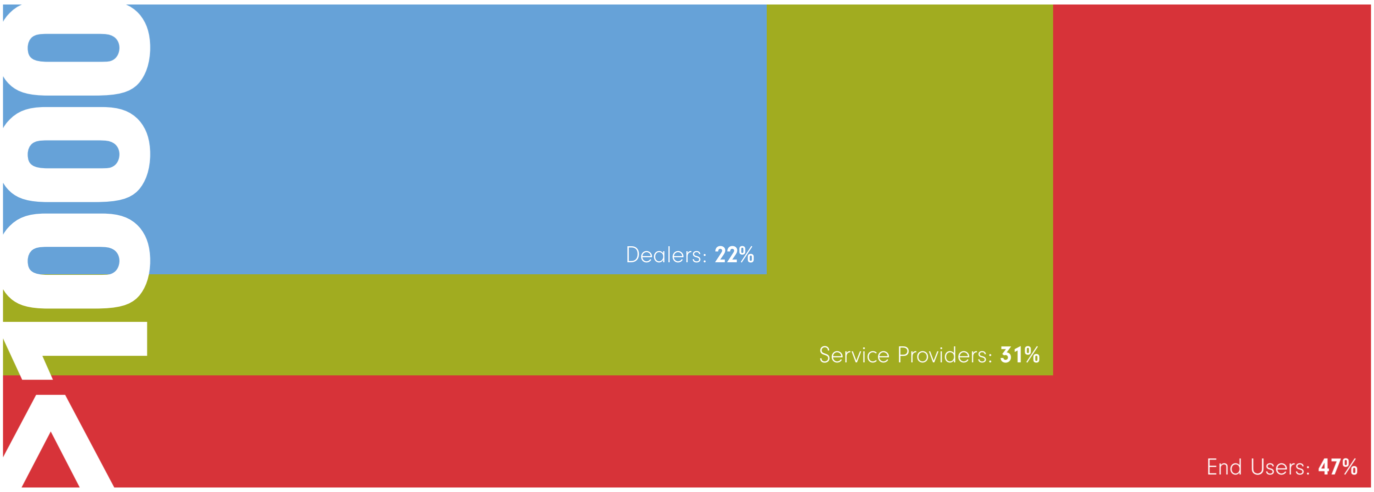
Chris Young
Head of US Public Policy

Liz Zazzera
Head of Membership

MEMBERSHIP INFORMATION

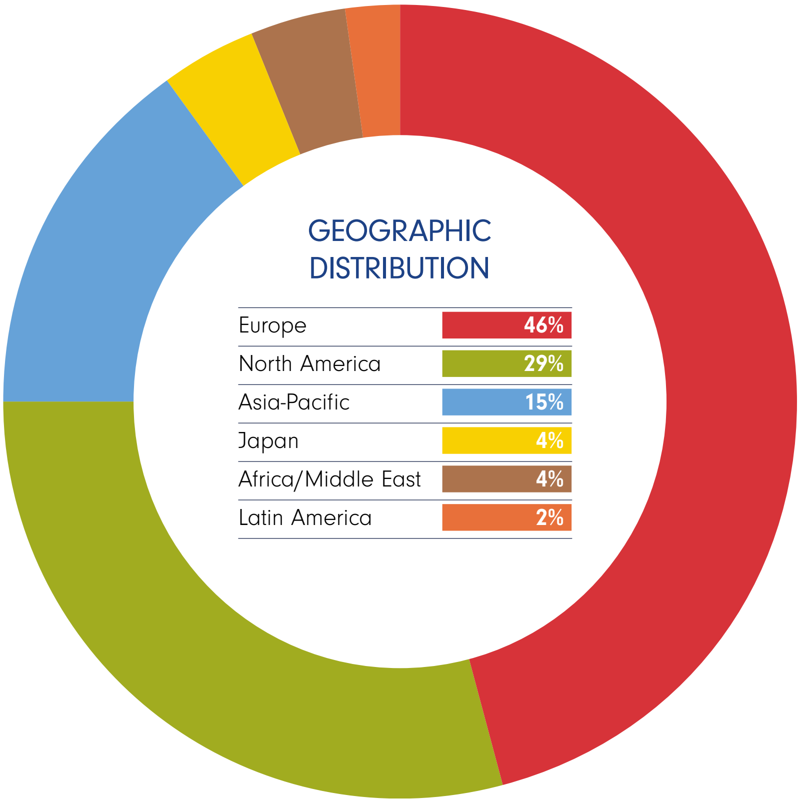
ISDA has over 1,000 members from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition 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.

MEMBERSHIP BREAKDOWN



TYPES OF MEMBERS

Banks	31%
Law Firms	21%
Asset Managers	9%
Government Entities	13%
Energy/Commodities Firms	7%
Diversified Financials	6%
Technology/Solutions Providers	4%
Other	9%



GEOGRAPHIC DISTRIBUTION

Europe	46%
North America	29%
Asia-Pacific	15%
Japan	4%
Africa/Middle East	4%
Latin America	2%

Additional information regarding ISDA's member types and benefits, as well as a complete ISDA membership list, is available on the ISDA Membership Portal: https://membership.isda.org/

ISDA/SIFMA TREASURY FORUM

JUNE 5, 2024

etc. Venues by Convene | 360 Madison Avenue | New York

Founding Sponsor: CME Group

Keynote Speakers

Gary Gensler

Chair
US Securities and Exchange Commission

Michelle Neal

Head of Markets
Federal Reserve Bank of New York

To register, visit: shorturl.at/vzJZ1

ISDA® Safe, Efficient Markets

MISSION STATEMENT

ISDA fosters safe and efficient derivatives markets to facilitate effective risk management for all users of derivative products

STRATEGY STATEMENT

ISDA achieves its mission by representing all market participants globally, promoting high standards of commercial conduct that enhance market integrity, and leading industry action on derivatives issues.

THE PREEMINENT VOICE OF THE GLOBAL DERIVATIVES MARKETPLACE

Representing the industry through public policy engagement, education and communication

AN ADVOCATE FOR EFFECTIVE RISK AND CAPITAL MANAGEMENT

Enhancing counterparty and market risk practices and ensuring a prudent and consistent regulatory capital and margin framework

THE SOURCE FOR GLOBAL INDUSTRY STANDARDS IN DOCUMENTATION

Developing standardized documentation globally to promote legal certainty and maximize risk reduction

A STRONG PROPONENT FOR A SAFE, EFFICIENT MARKET INFRASTRUCTURE FOR DERIVATIVES TRADING, CLEARING AND REPORTING

Advancing practices related to trading, clearing, reporting and processing of transactions in order to enhance the safety, liquidity and transparency of global derivatives markets

www.isda.org

ISDA®

Digital Transformation

ISDA offers a variety of digital solutions designed to help members organise and optimise various aspects of the derivatives process

ISDA Legal Solutions

ISDA Create is an online solution that allows financial institutions to extract key structured legal and commercial data while automating the creation, negotiation and execution of key derivatives documentation.

ISDA MyLibrary is a state-of-the-art user platform that allows market participants to access ISDA documentation in digital form with enhanced navigation and easy-to-use comparability tools.

ISDA Amend is an online tool from ISDA and S&P Global Market Intelligence that centralises the sharing and matching of key regulatory and contract information with multiple counterparties.

ISDA Opinions Analytics is an initiative with aosphere to provide three online legal analysis tools for ISDA members: netalytics, CSAnalytics and diligence – ISDA e-contracts.

The ISDA Notices Hub is an online platform designed to provide market participants with a faster, safer and more efficient method for delivering and receiving critical notices under ISDA and other Master Agreements.

ISDA Risk & Capital Solutions

The ISDA Standard Initial Margin Model (ISDA SIMM®) is an industry standard methodology for calculating regulatory initial margin for non-cleared derivatives.

ISDA Analytics™ is a sophisticated benchmarking solution that enables banks to implement standardised approach regulatory capital models for market risk, counterparty credit risk and credit valuation adjustment (CVA) risk consistently and accurately.

ISDA Data Solutions

The Common Domain Model (CDM) is a standardised, machine-readable and machine-executable model that represents financial products, trades in those products and the lifecycle events of those trades.

ISDA's Digital Regulatory Reporting solution uses the CDM to convert an industry-agreed interpretation of regulatory reporting rules into machine-readable code, making implementation more efficient and cost effective.

ISDA's Collateral Initiatives apply the CDM to collateral management documentation, collateral representation and margin and settlement processes with the goal of decreasing operational, liquidity and counterparty risks.

Financial products Markup Language (FpML) is an open-source standard for the digital dealing and processing of derivatives transactions.

The ISDA Common Risk Interchange Format (CRIF™) is an industry standard for the exchange of risk data that was initially developed to support the ISDA SIMM® and has evolved to enable benchmarking of standardised approach capital models for market risk, CVA risk and counterparty credit risk.

ISDA Reference Data provides key business terms used in ISDA documentation as fully machine-readable codes, values and lists to enable efficient straight-through processing.

*

“Every disruption event brings new challenges that can test legal and operational resilience. ISDA is committed to addressing these challenges by continuing to develop mutualised solutions so we’re better prepared to navigate bumps in the road”

Scott O’Malia, ISDA