ISDA® Safe, Efficient Markets

ISDA Asia Regional Conferences
October 2013

Chairman's Address

Stephen O'Connor
Chairman
ISDA

ISDA: Key Issues

- Extraterritoriality
- Margin Requirements
- Portfolio Compression
- Benchmark Reforms

Extraterritoriality

Broker-dealers urge CFTC to delay reforms

By Philip Stafford

The main US derivatives regulator is facing growing pressure to delay the introduction of key market reforms, amid concerns from market participants and ... that its overhaul could ...

labelled "regulatory imperialism". Mr O'Malia also used a speech to a Futures Industry Association conference in Switzerland to call for a delay to the deadline.

The electronic venues, known as swap execution facilities, are intended to create ... and increase ...

But it has stoked concern among overseas authorities over a US regulatory land grab, in spite of an agreement concluded earlier in the summer between the US and Europe on a framework recognising each other. Under the new rules, all overseas venues that will allow access to US persons must comply by the start of next month.

Mr O'Malia said: "If the commission ... competitive ...

US rules 'endanger' derivatives reforms

By Tom Braithwaite and Michael Mackenzie in New York, Alex Barker in Brussels, Philip Stafford in London and Gina Chon in Washington

Landmark reforms of the derivatives market are being threatened by a battle over the extent of US oversight, according to bankers, investors and officials.

US regulators had hoped ... the opaque derivati...

One hotly-debated issue involves the reach of the US Commodity Fu... Trading Com...

...n familiar with ... was fined by ... role in ... d to ... eople they

Swaps Rules Worry Industry

Coming Regulations Have Market Players Concerned About Possible Disruption

BY KATY BURNE AND GEOFFREY T. SMITH

Banks, brokers and investors are warning of potential turmoil in a major part of the derivatives market on Oct. 2, when new U.S. rules kick in governing how instruments known as swaps ...

must be transacted through registered venues, routed through central clearing houses and reported to data warehouses known as trade repositories.

Industry officials are waging a vigorous last-ditch ...

Swift Rise

The market for swaps has grown rapidly.

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Extraterritoriality: Key Issues

- Resolve the many logistical, operational and legal problems arising from implementation of the new regulations
  - Regulatory clarifications, extensions and no action letters

- Ensure a coherent and consistent approach on cross-border issues
  - ISDA issued principles for inter-jurisdictional recognition of derivatives regulation through a principles-based substituted compliance methodology
  - IOSCO has an important role to play

Non-Cleared Margin Requirements

- Mandatory IM rule should recognize the risk-reducing benefits of clearable swaps that offset the risk of non-clearable swaps.
  - IM should be based on the paired transactions and not solely on the non-cleared transaction.
- Pro-cyclical nature of IM rule could further stress both institutions and markets in volatile markets
- Mandatory IM regime could harm risk-hedging that is important for many economic sectors
  - Further economic analysis should be conducted to isolate the incremental costs and benefits of mandatory IM
  - Consideration should be given to a net risk IM approach.

Portfolio Compression

- Portfolio compression has reduced notionals by $250 trillion
- ISDA is forming a Global Compression Task Force to further increase compression levels:
  - Develop best practices for compression
  - Coordinate one or more compression “big bangs”
  - Embed and automate compression
  - Report on progress and highlight future areas of focus.

Industry Benchmarks: ISDAFIX

- Two-phased process for moving to an alternative, market-based ISDAFIX rate setting that reflects evolving best practices
  - First: strengthen the process by which the ISDAFIX interest rate benchmark is determined and calculated.
  - Second: move from the current bank submission based model to an automated model that utilizes live prices from multilateral trading facilities.
- ISDA is participating on FSB’s Market Participants Group.

Summary

ISDA continues to work for safe, efficient markets

- Advocating for a globally consistent regulatory framework
- Providing essential support and services to our members to help them cope with the tidal wave of change
- Engaging on a broader level with global policymaker and market participants on major issues

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