

ISDA Publishes Proposal for Greater Collaboration Between Derivatives and SFT Markets

NEW YORK, October 5, 2020 – The International Swaps and Derivatives Association, Inc. (ISDA) has today published a new whitepaper that identifies opportunities for greater collaboration between derivatives and securities financing transaction (SFT) markets, and sets out a proposal for how this could be achieved.

The paper, [*Collaboration and Standardization Opportunities in Derivatives and SFT Markets*](#), highlights the significant efficiencies that could be achieved by closer coordination and alignment between the two markets, resulting in reduced costs for market participants. In particular, institutions operating in both derivatives and SFT markets could benefit from greater harmonization in documentation, as well as improvements in post-trade processing and automation.

ISDA has highlighted several areas where greater standardization and collaboration could be achieved, including:

- Leveraging the existing overlap in terminology to create a common documentation standard for derivatives and SFTs, and obtain a single set of legal opinions on close-out netting for each jurisdiction;
- Creating solutions to enable firms to implement legal, regulatory or market practice changes (for instance, interest rate benchmark reform) on a consistent basis across derivatives and SFT markets;
- Developing common standards and taxonomies to facilitate automation and interoperability across derivatives and SFT markets, and enable a consistent trade record for confirmation and reporting on a broad scale.

“Closer collaboration and standardization between derivatives and SFT markets would bring significant efficiencies and cost savings for market participants. Change is never easy, but we think the current trend towards increased digitization and automation and the push by financial institutions to improve operational and capital efficiency means it is important we start a discussion about the benefits of closer alignment,” said Scott O’Malia, Chief Executive of ISDA.

The paper also sets out a proposal for how the ISDA Master Agreement could be expanded to cover SFTs as well as derivatives. Specifically, the paper proposes a set of SFT provisions to be added to the schedule of the ISDA Master Agreement, along with publication of an SFT definitional booklet.

“We recognize that any joint legal work would need to preserve the unique characteristics of the derivatives and SFT markets, which will require close attention. However, this proposal would result in greater efficiencies in document negotiation and management, create netting benefits to help firms reduce risk and optimize collateral use, and allow documentation updates to be rolled out consistently for different products at the same time,” said Katherine Tew Darras, General Counsel at ISDA.

The full paper is available [here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 925 member institutions from 75 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:

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