

NEWS RELEASE
For Immediate Release

ISDA Partners with Linklaters on Online Margin Document Negotiation Tool

MIAMI, April 25, 2018 – The International Swaps and Derivatives Association, Inc. (ISDA) has partnered with law firm Linklaters to develop an online tool that will allow firms to electronically negotiate initial margin (IM) documentation. The new platform is being built to help facilitate compliance with regulatory IM requirements as a wider universe of buy- and sell-side firms come into scope of the rules.

ISDA Create – IM will provide an efficient means for firms to negotiate IM documentation with a large number of counterparties simultaneously, and to deliver and store the documents electronically. The tool will also make commercial data contained in the IM documentation more easily accessible, along with the metadata associated with the negotiation process. This data can then be used for risk management, resource management and other applications.

The development of the IM tool will run in parallel with the drafting of next-generation ISDA IM documentation for phases four and five of the IM regulation phase-in, scheduled for September 2019 and September 2020, respectively. The new IM documentation will be the first to be supported on ISDA Create, ISDA’s new digital documentation platform. This service will complement the established ISDA Amend platform that helps users exchange information necessary to comply with various global derivatives regulations.

“The negotiation of IM documentation can be time consuming, and with a large number of entities potentially coming into scope of the margin rules in September 2020, this will create a significant compliance burden. ISDA Create – IM is intended to help with this process by enabling firms to negotiate their IM documentation completely online in a digital format, which can then be directly consumed by the collateral management, trade reporting and other systems of the firm,” said Katherine Tew Darras, General Counsel at ISDA.

“Working with ISDA on this global industry wide initiative is a fantastic opportunity to bring technology to bear on difficult collateral management, legal and business issues faced by some of the world’s largest and most sophisticated institutions. Up until now, the industry has struggled with how to capture and update data in an efficient, consistent and high-quality manner – even within in a single institution. But this tool will remove most, if not all, of those issues across the industry, allowing market participants to do more, do it better and at a lower cost,” said Doug Donahue, Derivatives Partner at Linklaters.

The regulatory IM requirements began phasing in from September 2016, initially for the largest dealers only. Each September, the threshold for compliance – based on an aggregate average notional amount (AANA) of non-cleared derivatives – is reset at a lower level, capturing a broader spectrum of firms. Under the global framework established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions, the AANA will fall to €750 billion in September 2019 and €8 billion in September 2020.

The tool is scheduled for rollout in early 2019, shortly after publication of ISDA’s next-generation IM collateral documentation. ISDA has also mandated Linklaters to act as its global counsel in connection with the industry consultation and drafting of the IM documentation.

Benefits of the IM tool:

- It will allow firms to automate the creation and delivery of IM documentation, and negotiate and execute IM documentation with multiple counterparties simultaneously. This is all done online while providing flexibility to take one or more of these steps offline if required.
- The system allows standard elections to be made, but also allows firms to customize on a party-by-party basis. There are no restrictions on what parties may agree on a bilateral basis on the platform.
- The system automatically reconciles both standard elections and bespoke provisions exchanged, and flags the differences in an efficient and easy-to-read way.
- It allows parties to embed their standard workflow by allowing approvals of deviations from preferred elections to be requested and recorded through the platform, providing an audit trail.
- The data on the platform is stored digitally, and can be pulled into a firm’s internal systems for storage and/or further use.
- The platform will: i) make the negotiation process more efficient and less time consuming from start to finish; ii) provide powerful commercial, risk management and resource management functions, data and analytics; and iii) remove the need for any post-execution transfer of data from negotiated documentation into internal systems and the chance for error during such a data transfer.
- The platform is being built with the ability to evolve over time as market needs change.
- Other ISDA documents in complementary areas may be added in the future as required by users.

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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 900 member institutions from 68 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, Twitter: @ISDA

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