

For the attention of all ISDA member institutions

April 25th, 2024

Dear Market Participants,

Request for statement of support for the Notices Hub project and in-principle intent to adopt

For nearly 40 years, ISDA has delivered on its mission to make the derivatives markets safer and more efficient. We have developed standard mutualized solutions to assist our members in meeting regulatory requirements at scale and published legal and operational standards that provide greater efficiency.

Today, I want to ask for your institution's support for a proposal that we believe will radically improve the operational efficiency of important termination-related processes that rely on the delivery and receipt of notices between parties – the development of a central industry Notices Hub. Leveraging the same widely used infrastructure that hosts ISDA Amend, adoption of this global, mutualized solution will require no mandatory systems development work and features delegated client outreach and other streamlined processes designed to significantly reduce the onboarding burden. The success of this initiative will create a massive network effect if both buy- and sell-side firms adopt it. As such, we will only proceed with this important service if we receive sufficient indications of support from the industry.

Notice delivery issues

The ability to send and receive notices lie at the heart of your firm's capacity to manage termination-related events. They are used, for example, to trigger grace periods and to designate the time at which close-out amounts are valued and exposures become unhedged.

However, delays can occur due to stale delivery address details or during periods of geopolitical stress, which can have a significant impact on the bottom line. Delivering or receiving a termination notice relating to a medium-sized derivatives portfolio with \$10 million of initial margin on a Monday morning rather than the previous Friday afternoon could result in uncollateralized losses of up to \$1 million¹. That's on top of paying a law firm to hand deliver the notice and internal resources required to manage the uncertainties of conventional delivery methods.

The Notices Hub

ISDA's proposed Notices Hub would allow notices to be sent and received instantaneously on a secure, robust online platform that will be available at all times. It will allow market participants

¹ 99% value at risk calculation assuming a non-cleared outright derivatives portfolio

to update their physical address details by means of a single entry on the platform, making it far more efficient to keep them current and providing a golden source of those details. It is being designed for ease of use by all types of market participants, including agents acting for multiple principals. The platform is also being designed to be scalable so it can be used for similar notices under other types of master agreement in future, as well as for different types of notices and processes.

Incentivizing adoption by design

To succeed, the Notices Hub will need to be widely adopted by market participants of all types. To promote adoption, the Notices Hub will:

- Be based on S&P Global Market Intelligence’s Counterparty Manager platform, which is already used by over 200,000 market participants worldwide and hosts ISDA Amend, Request for Amendment, Know Your Customer, Outreach360 and Withholding Tax Utility
- Require no IT systems work on the part of users (unless they wish to make use of its optional API functionality to draw down information directly into their internal systems)
- Be free to buy-side firms and chargeable for dealers based on their ISDA membership category, with a discounted rate in year 1 and year 2:

Primary Dealer Category	Year 1 (post go-live)	Year 2	Year 3 and beyond
Global	\$25k	\$38k	\$50k
International	\$18k	\$26k	\$35k
Regional	\$8k	\$11k	\$15k
Emerging	\$5k	\$8k	\$10k

- Be adopted by means of a protocol or bilateral template agreement that ISDA will supply free of charge to all market participants
- Be supported by around 70 legal opinions covering the efficacy of the Notices Hub as a matter of governing and local laws
- Include a delegated outreach service whereby S&P Global Market Intelligence will contact dealers’ clients to encourage adoption
- Enjoy 24/7 customer support

Request for indications of support and intent

ISDA is acutely aware that we live in a world of strongly competing priorities for limited resources. I have no desire to divert your or our time and money building a platform if there is no real intention within the market to adopt it. For this reason, I am asking that you provide a pre-build statement of your in-principle intent to adopt the Notices Hub if it is built.

I ask that the statement you provide represents your current view, based on information you have today and having discussed the proposal at appropriate levels within your organization (including with those who are usually responsible for signing off and overseeing projects of this nature).



Unless we receive sufficient positive responses by the deadline below, we will not pursue it any further. A template for responses is attached to this letter.

We understand your decision to ultimately adopt the Notices Hub may depend on a number of contingencies, such as how widely supported the initiative is by other market participants and what the final product looks like when it is made available for adoption.

My team and I stand ready to help answer any questions you might receive on the contents of this letter. I would be grateful if you could respond with your views using the template attached to this letter by no later than **June 5, 2024**.

Yours sincerely

A handwritten signature in black ink, appearing to read "Scott O'Malia".

Scott O'Malia
Chief Executive

Further information on the Notices Hub, including the documents specified below, is available on <https://www.isda.org/isda-notices-hub/>.

- (1) Revised Indicative Specification for the proposed Notices Hub.
- (2) Revised indicative costs model for the ISDA Notices Hub - April 2024
- (3) Notices Hub Survey – Summary of Responses
- (4) Q&A on the Notices Hub
- (5) Revised Fact Sheet: What is the Notices Hub?

Pre-build statement of in-principle intent to adopt the proposed Notices Hub²

Please send responses by e-mail to noticehub@isda.org

[Choose one of the alternative responses below and delete the other as applicable]

Dear Mr O'Malia,

[I can confirm that [insert name of institution] supports the proposal to build the Notices Hub and intends in principle to adopt it for one or more of the purposes referenced in your letter assuming there is sufficient uptake across the market.]

OR

[I confirm that [insert name of institution/group] does NOT intend in principle to adopt the Notices Hub and so does NOT support the proposal to build the platform. We understand that this statement may result in the Notices Hub not being built.]

[insert signature block]

² Responses to ISDA's request will be used by the ISDA Board to determine whether to go ahead with the project and shared with S&P Global Market Intelligence on a confidential basis solely for the purpose of the Notices Hub project. ISDA may publish the results on a collated and anonymized basis but individual responses and the identity of respondents will not be made public.