May 2022

ISDA Research Study

ISDA MARGIN SURVEY YEAR-END 2021

The ISDA Margin Survey analyzes the amount and type of initial margin (IM) and variation margin (VM) posted for non-cleared derivatives. The survey also reviews the quantity of IM posted by all market participants to major central counterparties (CCPs) for their cleared interest rate derivatives (IRD) and credit default swap (CDS) transactions.

The latest survey finds that the 20 largest market participants (phase-one firms) collected $286.0 billion of IM for their non-cleared derivatives transactions at year-end 2021. Of this amount, $203.5 billion was collected from counterparties currently in-scope of the regulatory IM requirements. A further $82.5 billion (independent amount, or IA) was collected from counterparties and/or for transactions not in scope of the non-cleared margin rules, including legacy transactions.

In addition to the regulatory IM and IA, phase-one firms collected $936.5 billion of VM for their non-cleared derivatives transactions at year-end 2021, including $527.9 billion of regulatory VM and $408.7 billion of discretionary VM.

The survey also finds that $323.4 billion of IM was posted by all market participants to major CCPs for their cleared IRD and CDS transactions at the end of 2021.

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SUMMARY

Initial and variation margin collected by the 20 phase-one firms for their non-cleared derivatives transactions totaled $1.2 trillion at year-end 2021

- The amount of regulatory IM has continued to increase as margin rules for non-cleared derivatives have been phased in and more firms and new transactions are subject to the requirements[1].
- The survey finds that 32 firms – including 20 phase-one entities, five of the six phase-two firms and seven of the eight phase-three firms that are subject to the margin rules – collected about $304.1 billion of IM and $1.0 trillion of VM at year-end 2021[2].
- IM collected by phase-one entities for their non-cleared derivatives transactions totaled $286.0 billion at year-end 2021. This represents a 38.0% increase compared with $207.3 billion of IM that phase-one firms collected at year-end 2020[3,4].
    - $203.5 billion of the IM collected by phase-one entities was required under global margin regulations[5]. This represents an increase of 57.5% compared to $129.2 billion of regulatory IM collected at year-end 2020.
    - $82.5 billion of IM collected by phase-one firms was IA received from counterparties not currently in scope and/or for transactions not covered by the margin rules, including legacy transactions[6,7]. This represents a 5.6% increase compared to $78.1 billion of IA collected at year-end 2020.
- Twelve other firms – five of the six phase-two firms and seven of the eight phase-three entities that participated in the survey this year – collected $18.1 billion of IM at year-end 2021, including $15.7 billion of regulatory IM and $2.4 billion of IA.
- VM collected by phase-one firms for non-cleared derivatives decreased by 19.6% to $936.5 billion at year-end 2021 compared to $1.2 trillion collected at year-end 2020.
    - $527.9 billion of the VM collected by phase-one firms was required under global margin regulations[8]. This represents a 17.3% drop compared to $638.5 billion of regulatory VM collected at year-end 2020.

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[1] There are six phases to the margin rules for non-cleared derivatives. Currently, firms in phases one, two, three, four and five are required to post IM. There are 20 phase-one firms, six phase-two entities, eight phase-three firms and 18 phase-four firms. Of these, 20 phase-one entities contributed data to this analysis, as did five phase-two and seven phase-three firms. See the appendix for a brief summary of the margin regulations

[2] These amounts exclude margin posted for inter-affiliate transactions

[3] ISDA Margin Survey Year-End 2020 www.isda.org/a/fgGTE/ISDA-Margin-Survey-Year-End-2020.pdf

[4] All numbers are converted to US dollars based on the exchange rates at the end of each year (www.x-rates.com/table/?from=USD&amount=1)

[5] Regulatory IM is the amount of IM collected/posted by counterparties – including phase-one, phase-two, phase-three, phase-four and phase-five firms – for non-cleared derivatives portfolios subject to regulatory IM agreements. It covers all collateral under the agreement and may include house independent amount (IA) under a greater-of margin approach

[6] IA is the amount of margin collected/posted by counterparties for legacy transactions executed prior to the implementation of margin rules, for transactions that are not subject to margin rules for non-cleared derivatives, and/or posted in addition to regulatory IM

[7] Legacy transactions are trades entered prior to the regulatory IM compliance date. Counterparties, particularly dealer counterparties, commonly required IM to be posted to them for non-cleared derivatives trades

[8] Regulatory VM may include house IA under a netted agreement

    - $408.7 billion of VM collected by phase-one firms was discretionary and was received from counterparties and/or for transactions not covered by the margin rules, including legacy transactions. This represents a decrease of 22.3% compared to $526.1 billion of discretionary VM collected at year-end 2020.

- Twelve other firms – five phase-two and seven phase-three entities – collected $78.3 billion of VM at year-end 2021, including $51.2 billion of regulatory VM and $27.2 billion of discretionary VM.

- For cleared IRD and both single-name and index CDS, IM posted at major CCPs by all market participants totaled $323.4 billion at the end of 2021. This represents a drop of 2.2% from $330.6 billion at the end of 2020[9].

    - $262.4 billion of this amount represents IM posted for IRD transactions. Open interest in IRD products across five major CCPs totaled $396.6 trillion at year-end 2021.

    - $61.1 billion of IM was posted by market participants for CDS transactions. Open interest in CDS products at four major CCPs was $2.6 trillion at year-end 2021.

[9] All numbers are converted to US dollars based on the exchange rates at the end of each quarter

METHODOLOGY AND PARTICIPANTS

ISDA's Margin Survey analyzes the amount and type of collateral posted for non-cleared and cleared derivatives transactions

- Margin regulations in many jurisdictions require or will require firms over certain thresholds to post and collect IM and to exchange VM.

- Margining practices prior to these regulations varied among derivatives users, with many adhering to ISDA best practices for collateral processes[10]. The exchange of VM for derivatives transactions was common, and some firms also posted IM under bilaterally negotiated collateral arrangements.

- ISDA's Margin Survey assesses the amount and type of collateral that is being 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 the new margining regulations 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[11]. Responses were received from five of the six phase-two entities and seven of the eight phase-three firms subject to the margin rules. In the prior survey, ISDA received responses from all six phase-two firms and six of the eight phase-three entities. Phase-four and phase-five firms became subject to the margin regulations in September 2019 and September 2021, respectively, but were not included in this survey.

- For cleared derivatives, the survey uses publicly available margin data from two US 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 (JSCC) and OTC Clearing Hong Kong Limited (OTC Clear)). The collected data only reflects IM for IRD and CDS. This data is published by CCPs under public quantitative disclosure standards set out by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO).

[10] 2013 Best Practices for the OTC Derivatives Collateral Process www.isda.org/a/rLDDE/2013-isda-best-practices-for-the-otc-derivatives-collateral-process-final.pdf. ISDA has since updated the document with the 2021 OTC Derivatives Collateral Suggested Operational Practices www.isda.org/a/FDEgE/2021-Best-Practices-for-the-OTC-Derivatives-Collateral-Process-6.7.21-FINAL.pdf

[11] Phase-two and phase-three firms became subject to regulatory VM requirements from March 1, 2017

IM AND VM FOR NON-CLEARED DERIVATIVES

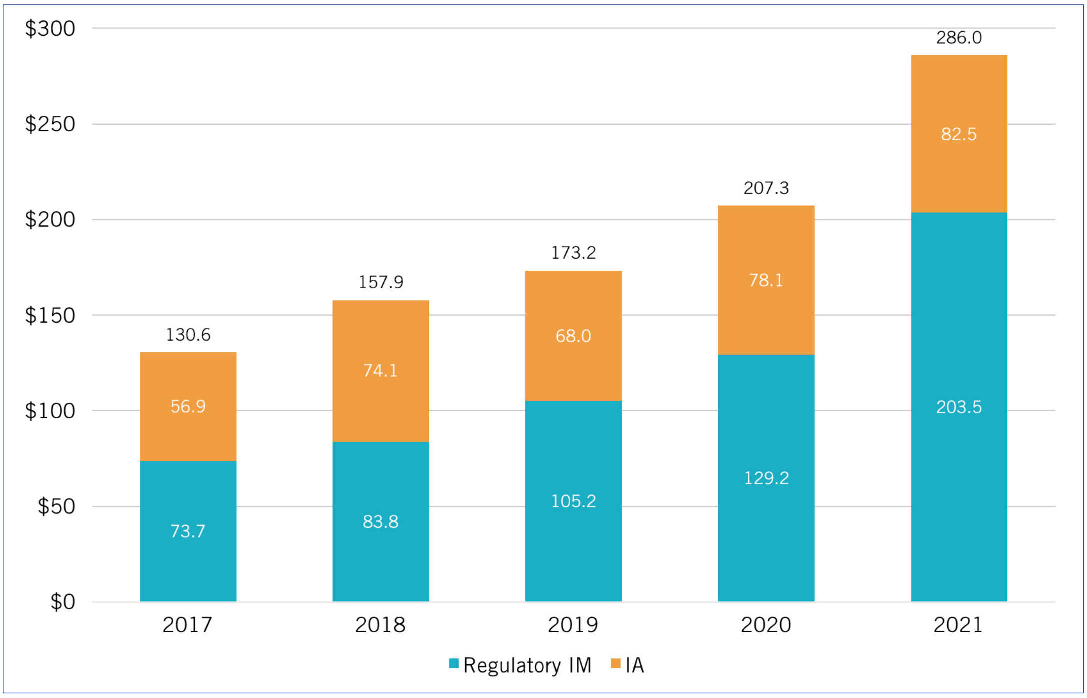
The amount of regulatory IM collected by phase-one firms grew to $203.5 billion at the end of 2021

The survey finds that 32 firms – including 20 phase-one, five phase-two and seven phase-three entities – collected approximately $304.1 billion of IM and $1.0 trillion of VM at year-end 2021.

Phase-one Firms Regulatory IM and IA

Phase-one firms collected $286.0 billion of IM for non-cleared derivatives transactions at year-end 2021, a 38.0% increase versus the $207.3 billion of IM that phase-one firms collected at year-end 2020[12] (see Chart 1).

Chart 1: Regulatory IM and IA Received by Phase-one Firms (US$ billions)



$203.5 billion of the IM collected by phase-one entities was required under global margin regulations[13]. This represents an increase of 57.5% compared to $129.2 billion of regulatory IM collected at year-end 2020.

Phase-one firms posted $201.9 billion of regulatory IM for non-cleared derivatives transactions at year-end 2021, an increase of 55.1% compared to $130.2 billion of regulatory IM posted at year-end 2020 (see Table 1).

Given the margin rules for non-cleared derivatives require two-way IM exchange between in-scope counterparties (each firm is required to post IM to and collect IM from its counterparty), the amount of IM received and the amount of IM delivered is approximately the same[14].

[12] ISDA Margin Survey Year-End 2020 www.isda.org/a/fgGTE/ISDA-Margin-Survey-Year-End-2020.pdf

[13] Regulatory IM is the amount of IM collected/posted by counterparties – including phase-one, phase-two, phase-three, phase-four and phase-five entities – for non-cleared derivatives portfolios subject to regulatory IM agreements. It covers all collateral under the agreement and may include house IA under a greater-of margin approach

[14] Variation in the amounts of regulatory IM delivered and received are assumed to be attributed in part to differences in the scope of derivatives subject to regulatory IM in different jurisdictions. It could also be due to asymmetric margin requirements

Table 1: Phase-one Firms Regulatory IM and IA (US$ billions)[15]

	2021	2020	2019	2018	2017	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
Regulatory IM Received	203.5	129.2	105.2	83.8	73.7	57.5%	22.8%	25.5%	13.7%
IA Received	82.5	78.1	68.0	74.1	56.9	5.6%	14.8%	-8.2%	30.2%
Total IM Received	286.0	207.3	173.2	157.9	130.6	38.0%	19.7%	9.7%	20.9%
Regulatory IM Posted	201.9	130.2	105.6	83.2	75.2	55.1%	23.3%	26.9%	10.6%
IA Posted	8.4	9.4	9.5	10.1	6.4	-10.6%	-0.9%	-6.7%	57.5%
Total IM Posted	210.3	139.5	115.0	93.3	81.7	50.7%	21.3%	23.2%	14.3%

In ISDA's view, the increase in regulatory IM was driven primarily by phase-five firms coming into scope of the IM requirements in September 2021, as well as new non-cleared derivatives transactions executed by phase-one, phase-two, phase-three and phase-four entities. ISDA expects regulatory IM to continue to increase as phase-six firms begin to comply with IM requirements from September 2022.

In addition to regulatory IM, phase-one firms collected $82.5 billion of IA and posted $8.4 billion of IA for non-cleared derivatives transactions at year-end 2021. The amount of IA received grew by 5.6% compared to $78.1 billion at year-end 2020, while IA posted fell by 10.6% from $9.4 billion at the end of 2020.

IA reflects IM posted and collected under collateral agreements with counterparties not currently in scope of the margin rules. It also captures IM posted for transactions that are not covered by the margin rules, including legacy transactions.

The difference in IA received and IA posted is likely because collateral agreements that phase-one firms traditionally have had with non-dealer counterparties generally required only those counterparties to post IA.

Phase-two and Phase-three Firms Regulatory IM and IA

Five of the six phase-two firms and seven of the eight phase-three entities that are subject to the margin rules collected $18.1 billion of IM at year-end 2021, including $15.7 billion of regulatory IM and $2.4 billion of IA.

These firms posted $17.3 billion of IM at year-end 2021, including $16.3 billion of regulatory IM and $1.0 billion of IA (see Table 2).

In comparison, six phase-two and six phase-three firms that participated in the ISDA Margin Survey last year received $10.6 billion in IM and posted $9.5 billion of IM at year-end 2020[16].

[15] All numbers are converted to US dollars based on exchange rates at the end of each year

[16] The phase-two and phase-three entities that provided responses for year-end 2018, 2019, 2020 and 2021 were not exactly the same

Table 2: Phase-two and Phase-three Firms Regulatory IM and IA (US$ billions)[17]

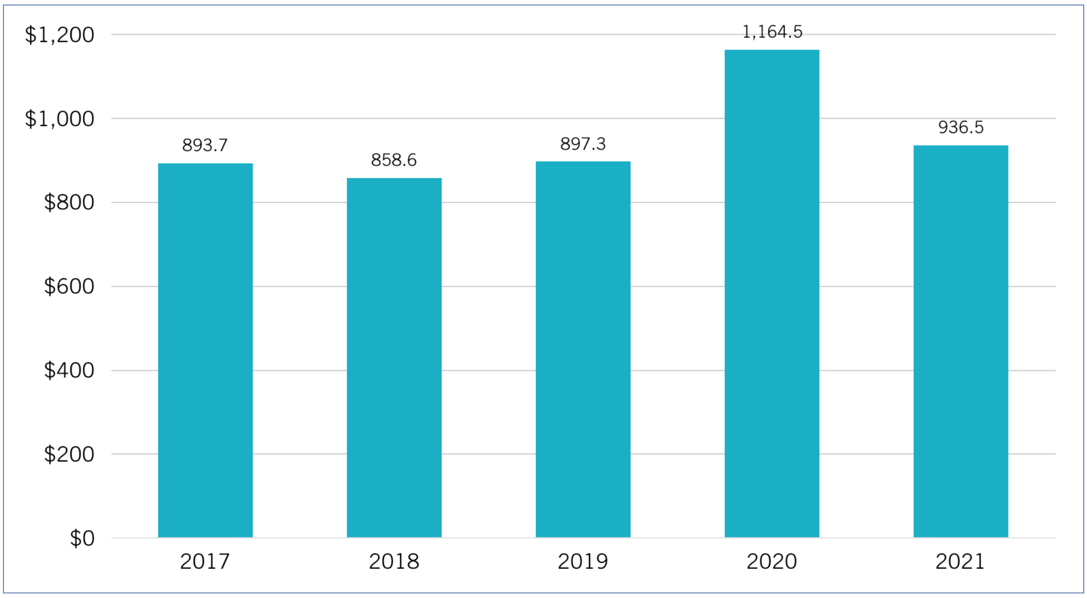
	2021	2020	2019	2018
Regulatory IM Received	15.7	7.4	6.0	2.2
IA Received	2.4	3.1	4.5	2.6
Total IM Received	18.1	10.6	10.5	4.8
Regulatory IM Posted	16.3	8.3	6.7	2.4
IA Posted	1.0	1.2	1.5	1.9
Total IM Posted	17.3	9.5	8.2	4.2

Phase-one Firms Regulatory and Discretionary VM

Phase-one firms collected $936.5 billion of VM at the end of 2021

Phase-one firms collected $936.5 billion of VM for non-cleared derivatives at year-end 2021, a 19.6% decrease compared with $1.2 trillion collected at the end of 2020 (see Chart 2).

Chart 2: VM Received by Phase-one Firms (US$ billions)



Regulatory VM received at year-end 2021 dropped by 17.3% to $527.9 billion versus $638.5 billion at year-end 2020[18]. The amount of discretionary VM collected from counterparties and/or for transactions that are not covered by the margin rules, including legacy transactions, decreased by 22.3% to $408.7 billion over the same period[19] (see Table 3).

VM posted by phase-one firms for non-cleared derivatives totaled $690.2 billion at year-end 2021, a 29.8% decrease compared with $983.8 billion of VM posted at year-end 2020. The amount of VM posted at year-end 2021 included $428.4 billion of regulatory VM and $261.8 billion of discretionary VM.

The drop in VM is likely the result of lower volatility following the sizeable asset price movements driven by coronavirus-related market volatility the prior year.

[17] All numbers are converted to US dollars based on exchange rates at the end of each year

[18] Regulatory VM may include house IA under a netted agreement

[19] The split between regulatory and discretionary VM was not available for year-end 2017 and 2018

Table 3: Phase-one Firms Regulatory and Discretionary VM (US$ billions)

	2021	2020	2019	2018	2017	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
Regulatory VM Received	527.9	638.5	441.5	N/A	N/A	-17.3%	44.6%		
Discretionary VM Received	408.7	526.1	455.8	N/A	N/A	-22.3%	15.4%		
Total VM Received	936.5	1,164.5	897.3	858.6	893.7	-19.6%	29.8%	4.5%	-3.9%
Regulatory VM Posted	428.4	616.4	348.7	N/A	N/A	-30.5%	76.8%		
Discretionary VM Posted	261.8	367.4	341.5	N/A	N/A	-28.7%	7.6%		
Total VM Posted	690.2	983.8	690.2	583.9	631.7	-29.8%	42.5%	18.2%	-7.6%

Phase-two and Phase-three Firms Regulatory and Discretionary VM

Five phase-two and seven phase-three entities collected $78.3 billion of VM at year-end 2021, including $51.2 billion of regulatory VM and $27.2 billion of discretionary VM. These firms posted $105.5 billion of VM at year-end 2021, including $59.1 billion of regulatory VM and $46.5 billion of discretionary VM (see Table 4)[20].

In comparison, six phase-two and six phase-three entities that participated in the ISDA Margin Survey last year received $109.3 billion of VM and posted $165.4 billion of VM at year-end 2020[21].

Table 4: Phase-two and Phase-three Firms Regulatory and Discretionary VM (US$ billions)

	2021	2020	2019
Regulatory VM Received	51.2	75.2	23.8
Discretionary VM Received	27.2	34.1	23.6
Total VM Received	78.3	109.3	47.4
Regulatory VM Posted	59.1	100.2	34.5
Discretionary VM Posted	46.5	65.2	30.0
Total VM Posted	105.5	165.4	64.5

Composition of Collateral for IM and VM

Based on the survey results, phase-one entities mostly use government securities for meeting regulatory IM requirements. One of the reasons for it is that the margin regulations stipulate that IM has to be bankruptcy remote, which is much easier to implement using securities[22].

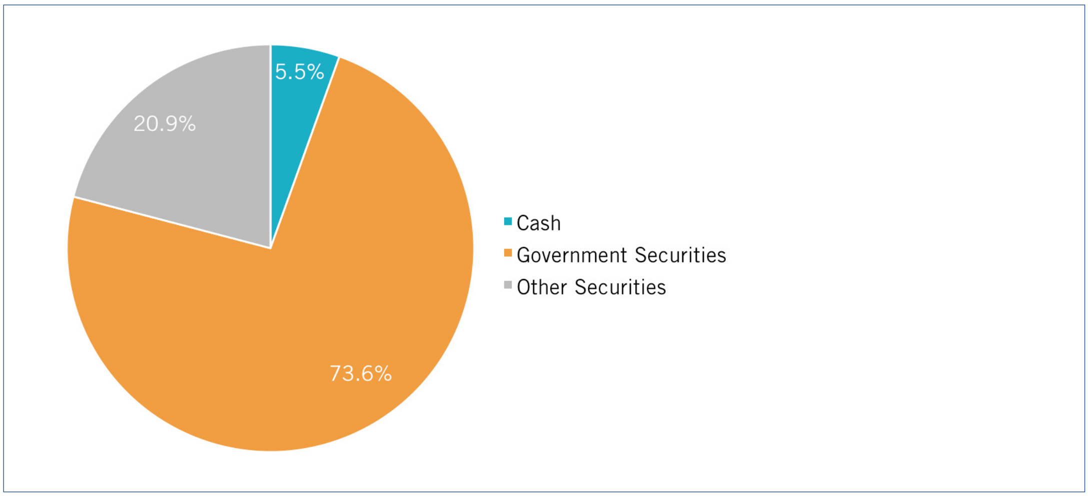
Regulatory IM collected by phase-one firms included 5.5% of cash, 73.6% of government securities and 20.9% of other securities at year-end 2021 (see Chart 3).

[20] Regulatory and discretionary VM data for phase-two and phase-three firms was not available for year-end 2018

[21] The phase-two and phase-three firms that provided responses for year-end 2018, 2019, 2020 and 2021 were not exactly the same

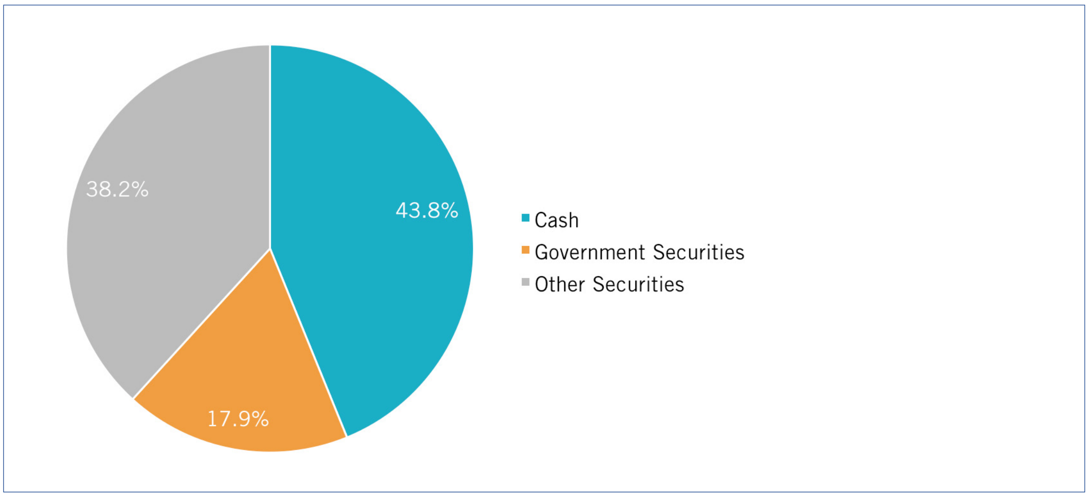
[22] If cash was held with the third-party custodian, it could be bankruptcy remote from the counterparty receiving the collateral, but it would not be bankruptcy remote from the custodian (with certain exceptions possible in a few jurisdictions)

Chart 3: Composition of Regulatory IM Received by Phase-one Firms



Cash is more widely used for IA and VM. IA received by phase-one firms comprised 43.8% cash, 17.9% government securities and 38.2% other securities (see Chart 4).

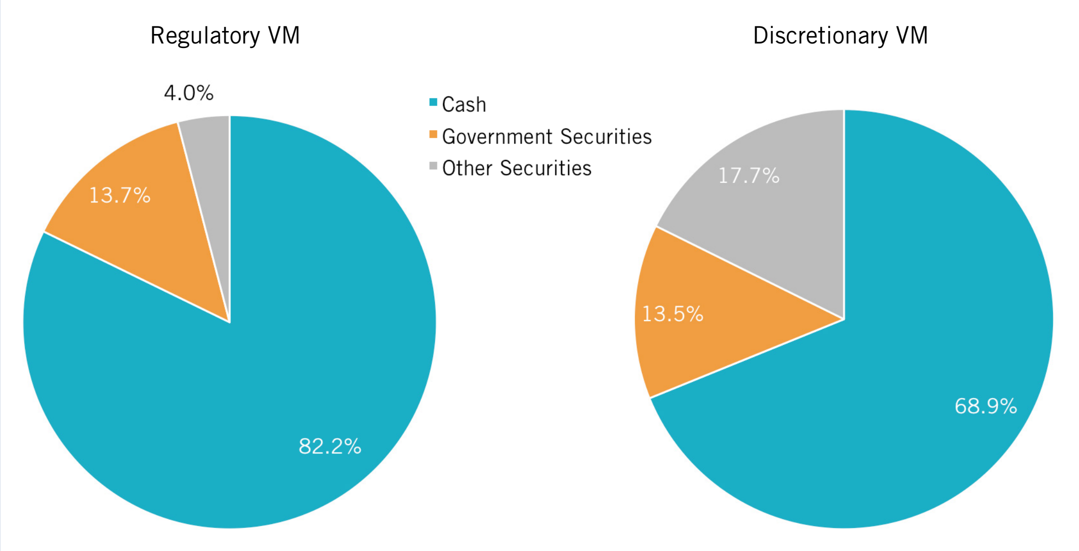
Chart 4: Composition of IA Received by Phase-one Firms



VM covers mark-to-market movements and can change daily. The VM a firm receives for a non-cleared derivatives exposure might be used to cover the VM of a cleared hedge position, and these flows can be implemented more easily with cash.

Cash contributed 82.2% of regulatory VM margin received, while government securities and other securities totaled 13.7% and 4.0%, respectively (see Chart 5). Discretionary VM received by phase-one firms comprised 68.9% cash, 13.5% government securities and 17.7% other securities (see Chart 6).

Charts 5 and 6: Composition of Regulatory and Discretionary VM Received by Phase-one Firms



Phase-one firms collected $1.2 trillion of total collateral (including IM and VM) at year-end 2021. This comprised $762.8 billion cash, $292.0 billion government securities and $167.7 billion other securities. Phase-one firms posted a total of $900.5 billion of collateral at year-end 2021 (see Table 5).

Cash accounted for 62.4% of total margin received versus 67.3% of total margin posted (including IM and VM) at the end of 2021. Government securities and other securities contributed 23.9% and 13.7% of total margin received and 27.9% and 4.9% of total margin posted, respectively.

Table 5: Composition of Collateral Received and Posted by Phase-one Firms (US$ billions)

	Cash	Government Securities	Other Securities	Total
Regulatory IM Received	11.2	149.7	42.6	203.5
Regulatory IM Posted	10.7	161.6	29.6	201.9
IA Received	36.2	14.8	31.5	82.5
IA Posted	4.1	2.4	1.8	8.4
Regulatory VM Received	434.0	72.5	21.3	527.9
Regulatory VM Posted	379.6	45.0	3.8	428.4
Discretionary VM Received	281.4	55.0	72.3	408.7
Discretionary VM Posted	211.1	42.0	8.7	261.8
Total Collateral Received	762.8	292.0	167.7	1,222.5
Total Collateral Posted	605.6	251.0	43.9	900.5

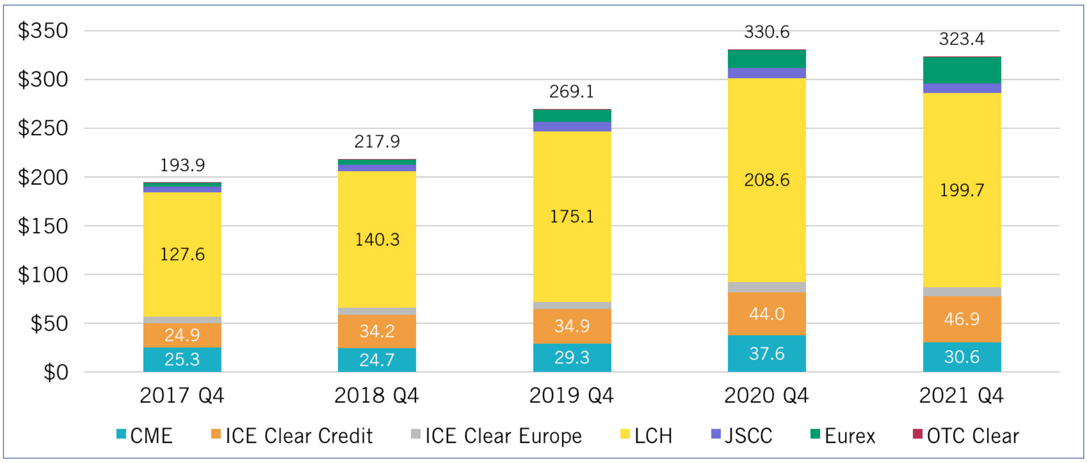
IM FOR CLEARED DERIVATIVES

IM posted for cleared IRD and CDS totaled $323.4 billion at the end of the fourth quarter 2021

Based on the CPMI-IOSCO public quantitative disclosures for CCPs, the amount of IM for cleared derivatives, including IRD and CDS, slightly decreased in 2021.

Total IM for IRD and CDS fell to $323.4 billion at the end of the fourth quarter of 2021 versus $330.6 billion at the end of the fourth quarter of 2020[23] (see Chart 7).

Chart 7: IM for IRD and CDS (US$ billions)[24]

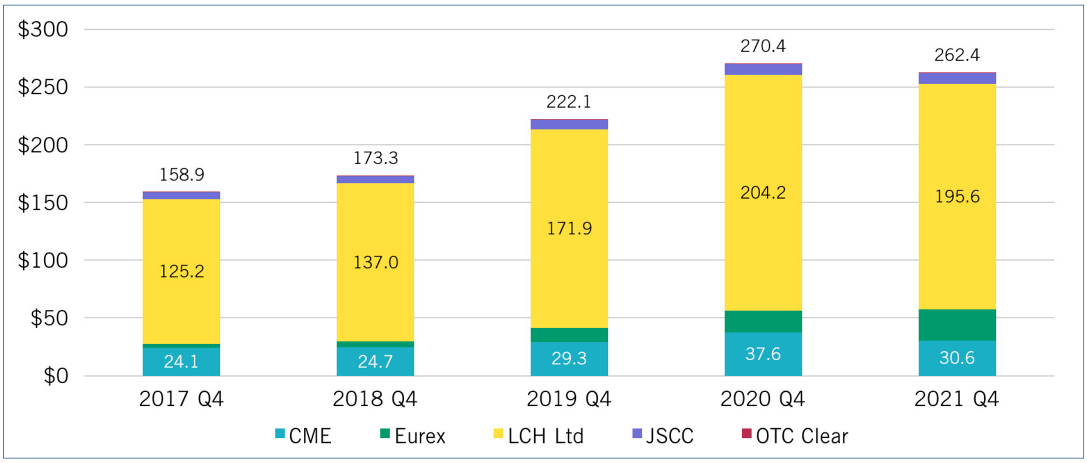


Source: CCP disclosures

IM for Cleared IRD and CDS

IM for cleared IRD declined by about 3.0% from $270.4 billion at the end of the fourth quarter of 2020 to $262.4 billion at the end of the fourth quarter of 2021 (see Chart 8). The decline in IM was mainly driven by a decrease at LCH Ltd.

Chart 8: IM for Cleared IRD (US$ billions)



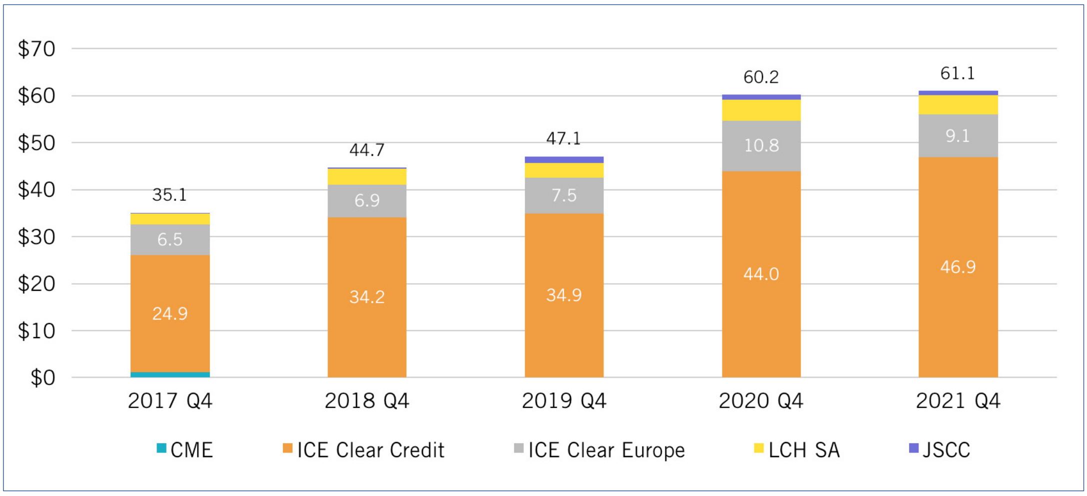
Source: CCP disclosures

[23] CCPs have been providing quarterly CPMI-IOSCO public quantitative disclosures since the third quarter of 2015. All numbers are converted to US dollars based on the exchange rates at the end of each quarter

[24] LCH includes LCH Ltd and LCH SA

IM for cleared CDS grew by 1.4% from $60.2 billion at the end of the fourth quarter of 2020 to $61.1 billion at the end of the fourth quarter of 2021 (see Chart 9). The growth in IM was mainly driven by an increase at ICE Clear Credit.

Chart 9: IM for Cleared CDS (US$ billions)



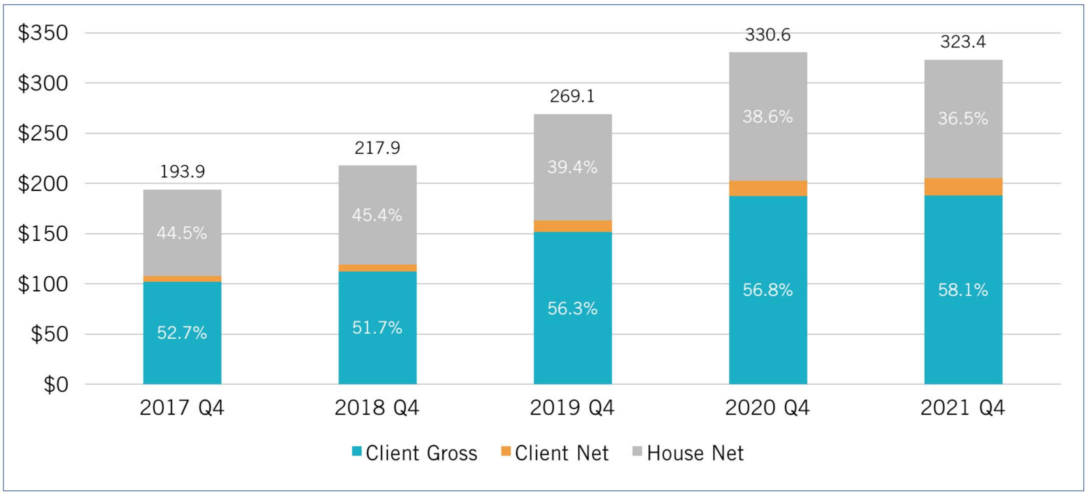
Source: CCP disclosures

Client and House IM

At the end of the fourth quarter of 2021, IM posted by clearing members for their own positions (house net) totaled $118.0 billion versus $205.5 billion of client IM, of which $187.9 billion was calculated on a gross basis and $17.6 billion was on a net basis[25].

House net margin totaled 36.5% of total IM, while client gross margin and client net margin represented 58.1% and 5.4% of total IM, respectively, at the end of the fourth quarter of 2021 (see Chart 10).

Chart 10: Client and House IM (US$ billions)



Source: CCP disclosures

[25] Under a net margin structure, a clearing member only passes through to the CCP the net margin across a set of clients, thereby retaining part of the client margin. Under a gross structure, the margin of all clients is posted in full to the CCP

Open Interest

At year-end 2021, IRD open interest across five major CCPs totaled $396.6 trillion, while total CDS open interest at four major CCPs was about $2.6 trillion[26,27]. Against these exposures, CCPs collected $262.4 billion of IM for IRD products and $61.1 billion of IM for CDS products (see Table 6).

In comparison, IRD open interest across five major CCPs totaled $378.2 trillion and total CDS open interest at four major CCPs was about $2.7 trillion at year-end 2020. Against these exposures, CCPs collected $270.4 billion of IM for IRD products and $60.2 billion of IM for CDS products.

Table 6: IRD and CDS Open Interest (US$ trillions)

	2021		2020	
	IRD	CDS	IRD	CDS
CME Group	12.9	-	12.4	-
Eurex Clearing	22.9	-	20.3	-
ICE Clear Credit	-	1.5	-	1.5
ICE Clear Europe	-	0.5	-	0.6
Japan Securities Clearing Corporation (JSCC)	8.6	0.04	12.0	0.04
LCH SA*	-	0.3	-	0.3
LCH Ltd	352.1	0.3	333.4	0.3
OTC Clearing Hong Kong Limited (OTC Clear)	0.1	-	0.1	-
Total	396.6	2.6	378.2	2.7

*LCH SA open interest is as of April 4, 2022 and April 1, 2021, as the company does not disclose historical data

Source: CCP websites

26 Open interest is a common concept in futures and options markets but is also used in over-the-counter (OTC) derivatives to indicate notional outstanding. For IRD products, open interest is the total notional outstanding of the aggregated double-counted volume of all active trades. When a derivatives trade is cleared by a CCP, the initial contract between two counterparties is replaced by two new contracts between each counterparty and a CCP. For CDS products, open interest is the sum of all clearing participants' outstanding net long positions against a CCP, which results in single-sided amount

27 Data on open interest was collected from CCP websites. All numbers are converted to US dollars based on the exchange rates at the end of each year

OVERVIEW OF MARGIN RULES FOR NON-CLEARED DERIVATIVES

The margin rules for non-cleared derivatives, which require the mandatory posting of IM and VM for over-the-counter (OTC) derivatives that are not cleared through CCPs, originate from a global policy framework and schedule established by the Basel Committee on Banking Supervision and IOSCO.

The IM and VM requirements for phase-one entities took effect on September 1, 2016 in the US, Canada and Japan, and on February 4, 2017 in the EU. VM requirements came into effect for a wider universe of entities from March 1, 2017[28].

Phase-two firms became subject to the IM rules on September 1, 2017. Phase-three, phase-four and phase-five implementation of IM requirements went into effect on September 1, 2018, September 1, 2019 and September 1, 2021, respectively. The IM requirements for phase-six entities will come into force on September 1, 2022 (see Table 7).

Table 7: Compliance Dates and Average Aggregate Notional Amount (AANA) Thresholds for Non-cleared Margin Requirements

Effective Date*	USA	Japan	Canada	Europe	Australia	Hong Kong	Singapore
01-Sep-16	$3.0 trillion	JPY 420 trillion	C$5.0 trillion	€3.0 trillion	AUD 4.5 trillion	HKD 24 trillion	SGD 4.8 trillion
01-Sep-17	$2.25 trillion	JPY 315 trillion	C$3.75 trillion	€2.25 trillion	AUD 3.375 trillion	HKD 18 trillion	SGD 3.6 trillion
01-Sep-18	$1.5 trillion	JPY 210 trillion	C$2.5 trillion	€1.5 trillion	AUD 2.25 trillion	HKD 12 trillion	SGD 2.4 trillion
01-Sep-19	$0.75 trillion	JPY 105 trillion	C$1.25 trillion	€0.75 trillion	AUD 1.125 trillion	HKD 6 trillion	SGD 1.2 trillion
01-Sep-21	$50 billion	JPY 7 trillion	C$75 billion	€50 billion	AUD 75 billion	HKD 375 billion	SGD 80 billion
01-Sep-22	$8 billion	JPY 1.1 trillion	C$12 billion	€8 billion	AUD 12 billion	HKD 60 billion	SGD 13 billion

* These effective dates are for US and Japan. The initial effective date for Europe was February 4, 2017 and for Australia, Hong Kong and Singapore was March 1, 2017. The remaining dates are aligned across these regions

Margin rules apply to covered swap entities and financial end users under the US rules, and financial counterparties and systemically important non-financial entities above the clearing threshold under the EU rules. The margin requirements cover non-cleared OTC derivatives and apply only to new transactions that took place after the rule implementation date.

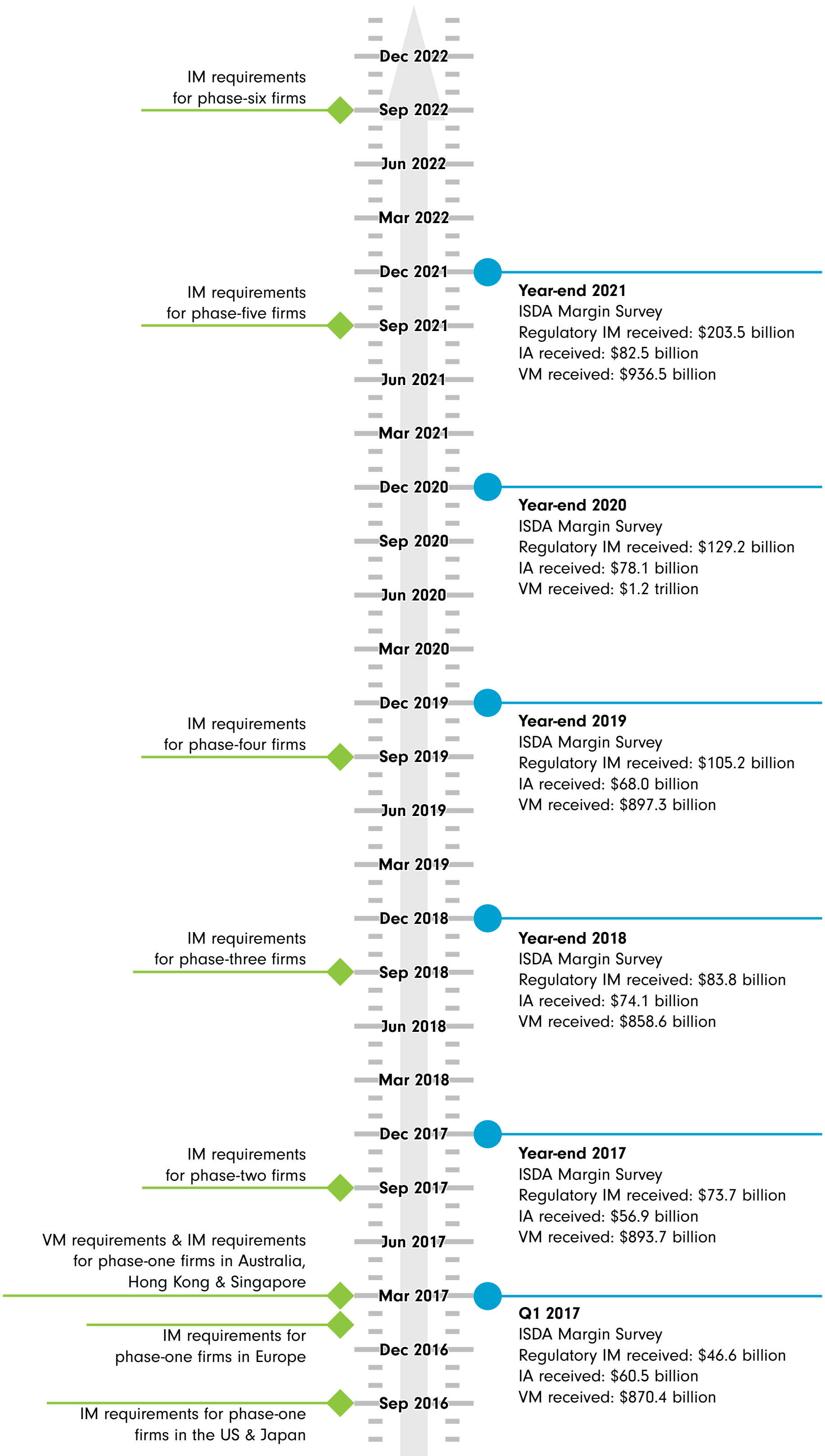
The AANA of non-cleared derivatives (on a consolidated basis with affiliates) determines the relevant compliance date for IM. The rules provide exemptions for certain products (eg, physically settled foreign exchange (FX) swaps and FX forwards) and certain entities (eg, sovereigns and central banks)[29,30].

28 Transitional relief or guidelines provided by global regulators allowed market participants additional time to come into full compliance

29 Additional exemptions vary between jurisdictions, but may include:
- Intra-group transactions;
- Exemption for IM (referred to as a 'threshold amount' under a credit support annex) between two firms, up to a maximum of €50 million (or a similar figure in the currency of the national rules), calculated at a group level;
- Hedging in covered bond issues;
- In some jurisdictions, a counterparty will not be required to post any VM or IM for OTC derivatives with counterparties domiciled in non-netting jurisdictions, but may still be required to collect margin from those counterparties. Under EU regulations, there is no requirement for a counterparty to collect or post VM or IM when certain conditions are met and the counterparty is in a non-netting jurisdiction, subject to a cap of 2.5% of the regulated party's OTC derivatives by notional amount

30 The summary of derivatives products that are subject to regulatory IM and VM requirements in jurisdictions that have final requirements for regulatory margin can be found in the Derivatives Subject to Non-Cleared Margin Rules document www.isda.org/a/mc0gE/ISDA-In-Scope-Products-Chart_UnclearedMargin_030222_distribution.pdf

TIMELINE FOR MARGIN RULES FOR NON-CLEARED DERIVATIVES



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- ***Transition to RFRs Review: First Quarter of 2022***
  https://www.isda.org/a/OkVgE/Transition-to-RFRs-Review-First-Quarter-of-2022.pdf

- ***Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: January 2022***
  https://www.isda.org/a/yQPgE/Interest-Rate-Derivatives-Trading-Activity-Reported-in-EU-UK-and-US-Markets-January-2022.pdf

- ***SwapsInfo First Quarter of 2022 Review: Summary***
  https://www.isda.org/a/dyVgE/SwapsInfo-First-Quarter-of-2022-Review-Summary.pdf

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Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 980 member institutions from 78 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. Follow us on Twitter, LinkedIn, Facebook and YouTube.