

NEWS RELEASE
For Immediate Release

ISDA Outlines Approach on Cross-Border Issues: Principles Address Inter-jurisdictional Recognition of Derivatives Regulation

NEW YORK, August 20, 2013 – The International Swaps and Derivatives Association, Inc. (ISDA) today announced that it has outlined a set of principles designed to help achieve the widely held goal of a more harmonized framework of international derivatives regulations. The principles, which incorporate views expressed by international regulators and market participants, are intended to guide the development of frameworks and processes for inter-jurisdictional recognition of derivatives regulation through a principles-based substituted compliance methodology.

In its *Methodology for Regulatory Comparisons*, ISDA suggests the following principles:

- *An effective framework should be grounded in the declarations issued by the G-20 following the Pittsburgh and Cannes meetings.*

The five G-20 goals are the basis of derivatives regulatory reform and should be met through regional or national efforts of sufficient consistency to avoid fragmenting global markets. These goals include: clearing of standardized derivatives; exchange/electronic trading, where appropriate; reporting to trade repositories; higher capital requirements for non-cleared trades; and margin requirements for non-cleared trades.

- *In order to minimize burdens on regulators, maintain global markets and avoid market fragmentation, regional and national regulators should evaluate the other's regimes to allow for a principles-based approach to cross-border compliance.*
- *For purposes of substitute compliance or equivalence, comparisons of one jurisdiction's requirements to another's may use a variety of analytical methods, all of which must start with identification of a set of common principles that elaborate on the G-20 regulatory goals.*
- *Ultimate decisions regarding comparability require not only a bilateral dialogue between regulators, but also a transparent process.*
- *Regulators should consult and cooperate with each other before implementing their derivatives regulations.*

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ISDA welcomes the recent initiative by IOSCO in this area and the announcement of their Task Force on Cross-Border Regulation. ISDA believes that IOSCO can play a vital role in facilitating bilateral or multi-lateral inter-jurisdictional recognition efforts which will greatly help markets to progress to a consistent international framework that avoids duplication or jurisdictional over-reach.

“ISDA undertook the development and implementation of these principles for developing substituted compliance methodology to further the goal that we believe everyone shares: a coherent, effective and harmonized international regulatory framework,” said Stephen O’Connor, ISDA Chairman. “Inter-jurisdictional recognition of and consistency in derivatives regulation is essential in building safe and efficient financial markets.”

To illustrate the proposed methodology, ISDA also published examples of how the principles will apply to various areas within derivatives regulation. These examples have been developed and organized in relation to three of the five primary goals of derivatives regulation issued by the G-20.

The principles and examples are available on the [United States Public Policy section](#) of ISDA’s website.

For Media Enquiries, Please Contact:

Lauren Dobbs, ISDA New York, +1 212 901 6019, ldobbs@isda.org
Rose Millburn, ISDA London, +44 203 088 3526, rmillburn@isda.org
Donna Chan, ISDA Hong Kong, +852 2200 5906, dchan@isda.org

About ISDA

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 60 countries. These members include a broad range of OTC 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 including exchanges, clearinghouses 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 web site: www.isda.org.

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