NEWS RELEASE
For Immediate Release

ISDA SIMM™ Deployed Today; New Industry Standard for Calculating Initial Margin Widely Adopted by Market Participants

NEW YORK, September 1, 2016 – The International Swaps and Derivatives Association, Inc. (ISDA) today announced the live launch of the ISDA Standard Initial Margin Model (ISDA SIMM™), an industry standard methodology that is being widely adopted by market participants to calculate initial margin for non-cleared derivatives trades.

Under US, Japanese and Canadian rules, the largest derivatives users have begun posting initial and variation margin on their non-cleared trades from today. More jurisdictions are expected to follow shortly, and other entities will be phased into the margin rules over the next four years.

The ISDA SIMM™ was created in response to the new initial margin calculation requirements. Its development was led by an ISDA member working group that included representatives from the largest global firms included in the first phase of implementation, as well as broad representation from other sell-side and buy-side participants that will eventually be subject to the margin rules. The ISDA SIMM™ is part of a larger ISDA implementation initiative that coordinates contributions from member experts across a broad range of risk, legal, collateral, operations and other functions.

"For the first time, a common, transparent and flexible model will be used to calculate initial margin in the non-cleared space. Using a single methodology that will be applied globally will reduce problems created by each firm calculating initial margin requirements using its own model and decrease the potential for disputes," said Scott O'Malia, ISDA's Chief Executive.

The ISDA SIMM™ represents another important step in ISDA's efforts to establish industry standards that reduce risk and increase efficiency for market participants. This work began with the creation of the ISDA Master Agreement, and has continued with the development of the Credit Support Annex, the ongoing publication and update of standard definitions and confirmation templates, the launch of numerous ISDA protocols, and the development of common taxonomies and Financial products Markup Language (FpML).

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The ISDA SIMM™ is one of a series of measures to facilitate compliance with the rules on margin for non-cleared derivatives. These include the publication of new credit support documentation for initial margin and for variation margin under various legal regimes, a protocol that will enable market participants to put contractual documentation in place with multiple counterparties in order to comply with variation margin rules, and a self-disclosure letter that allows firms to exchange information on whether they will be subject to margin requirements in each jurisdiction. A governance framework has also been published that sets out the principles under which the ISDA SIMM™ will operate, and establishes a transparent, consistent process for reviewing and updating the methodology.

A summary of ISDA's margin rule initiatives is available here.

The margin rules represent the last pillar of the derivatives reform commitments agreed by the Group-of-20 nations. The framework was developed by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO), before being taken up by domestic regulators. US prudential regulators were the first to publish their final rules at the end of October 2015, with the US Commodity Futures Trading Commission following in December, Canada in late February 2016 and Japan at the end of March. The European Union has yet to publish final rules, and announced in June it would defer its start date until next year. Australia, Hong Kong, India and Singapore have also announced a deferment of their start dates.

Under the implementation schedule published by the Basel Committee and IOSCO, initial margin requirements will be phased in for other derivatives users over a four-year period. However, variation margin requirements will apply to all entities under the scope of the regulation from March 1, 2017.

"A lot of complex development and implementation work has been achieved in an extremely tight time frame, as final rules from domestic regulators were published relatively late in the process. Now that the first-wave of large banks are implementing the requirements, ISDA will continue to respond to the even more challenging task of preparing for rollout of variation margin requirements in March 2017, which will apply to a much wider universe of firms, as well as integrating the rest of the phase-one firms as other jurisdictions implement their final rules," said Mr. O'Malia.

More information on ISDA's margin for non-cleared derivatives project is available at: http://www2.isda.org/functional-areas/wgmr-implementation/.

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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 850 member institutions from 67 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, 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 web site: www.isda.org.