
Ensuring Safe, Efficient Derivatives Markets:

Policy Ideas to Enhance
Market Liquidity and Risk
Management

INTRODUCTION

As ISDA marks its 40th anniversary this year, it is an opportune time to reflect on the challenges and opportunities faced by the global derivatives markets over the past four decades. Rapid growth, continued innovation, regulatory reform, central clearing, margining, LIBOR transition and a commitment to enhancing the resiliency of markets are all key features of this narrative.

Now is also the time to look ahead. The need for economic growth and jobs creation is leading to a renewed focus on ensuring financial institutions can channel funding to the real economy and productive investments. This requires strong and deep financial and hedging markets for financial institutions, corporations and governments around the world.

While old lessons must not be forgotten, new issues are arising, and new lessons need to be learned. For example, several incidents in recent years – including the March 2020 dash for cash and the September 2022 UK gilt crisis – have raised concerns about liquidity in financial markets. At the same time, market competition and advances in technology continue to drive innovation and greater efficiency.

Within this context, and as part of its mission to foster safe and efficient derivatives markets to facilitate effective risk management for all users of derivatives products, ISDA has identified several recommendations for consideration by policymakers, market participants and others. These recommendations mostly center on capital, margin and market/reporting regulations and are focused on:

- Ensuring robust, resilient markets to support capital formation and allocation to the real economy.
- Promoting more effective and efficient risk management to enable market-making and hedging of risk exposures.
- Mitigating negative impacts of cross-border inconsistencies to enable cross-border capital flows and risk hedging.
- Reducing redundancies and unnecessary costs in regulatory requirements.

This paper explores these issues in more detail across and/or within the US, UK and EU. The most immediate priorities, many of which are under discussion now by market participants and policymakers, appear in bold. Other issues are longer-term in nature and require additional analysis or research to develop an optimal policy recommendation and/or solution.

ENSURE ROBUST, RESILIENT MARKETS TO SUPPORT CAPITAL FORMATION AND ALLOCATION TO THE REAL ECONOMY

Appropriately calibrate capital, margin and trading rulesets to support robust, resilient markets, including in times of stress, while maintaining necessary safeguards

GLOBAL ISSUES

- **Finalize the Basel III capital rules without increasing capital requirements for large banks and implement consistently across jurisdictions.**
- **Address issues in the Fundamental Review of the Trading Book, such as the capital treatment of collective investment undertakings and the need for a more harmonized and risk-sensitive application of the residual risk add-on with respect to the scope of instruments captured.**
- **Examine and potentially enhance the flexibility that market participants have in the types of collateral posted/received for cleared and non-cleared derivatives, easing the pressure from collateral demands.**
- **Ensure that transparency regimes are appropriately calibrated to support smooth market functioning, particularly in periods of market stress.**
- **Assess ways to overcome portfolio margining obstacles, while ensuring capital regulations recognize cross-product netting.**
- Address procyclicality in regulatory requirements to reduce margin spikes, particularly during periods of stress, and make cleared margin methodologies more transparent.
- Ensure consistency, clarity and regulatory certainty of digital assets as collateral for both cleared and non-cleared margin. Clarify that a tokenized version of eligible non-cash collateral can be used as margin when the regulated entity determines that it satisfies legal and risk requirements using existing policies, procedures and practices.
- Avoid adverse impact of reforms to adjacent markets (eg, repos) on collateral funding.

GLOBAL ISSUES

US	UK	EU
• Amend supplementary leverage ratio (SLR) requirements to increase banks' balance sheet capacity, especially during periods of stress. • Avoid punitive capital treatment of centrally cleared transactions (eg, credit valuation adjustment and the buffer for global systemically important banks).	• Examine SLR requirements to ensure an appropriate balance between financial stability and market liquidity goals. • Achieve a level playing field on market risk rules in the Basel 3.1 framework. • Ensure capital charges are proportionate and risk sensitive, while avoiding duplication between Pillar 1 minimum standards and Pillar 2 supervisory add-ons.	• Examine SLR requirements to ensure an appropriate balance between financial stability and market liquidity goals. • Achieve a level playing field on market risk rules under the Capital Requirements Regulation III framework.

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US	UK	EU
• Support a Commodity Futures Trading Commission (CFTC) review of block thresholds to ensure they are set appropriately and transparently to support smooth market functioning, particularly in periods of stress. Examine how the combination of high block thresholds and swap execution facility (SEF) execution requirements affect market functioning and liquidity. • Revisit the existing collateral regime to address longstanding recommendations (eg, CFTC proposed amendments to eliminate the asset transfer restriction on the use of money market funds (MMFs) as eligible collateral for non-cleared margin and the use of third-country MMFs, and consider the implications of new technology, such as tokens and stablecoins. Ensure corresponding changes in US prudential regulations. • Review block thresholds to ensure they are set appropriately and transparently to support smooth market functioning, particularly in periods of stress. Examine how the combination of high block thresholds and swap execution facility (SEF) execution requirements affect market functioning and liquidity. • Enable non-US branches of US banks to access trading venues in the jurisdictions where they are operating, and where liquidity may be higher, by not classifying them as a 'US person' for the purposes of triggering SEF registration requirements.	• Enact UK authorities' powers to expand the scope of eligible collateral that UK central counterparties (CCPs) may accept from non-financial counterparties (NFCs) to include certain guarantees, MMFs, exchange-traded funds and bonds. • Examine regulatory proposals on the clearing and margining of repo transactions and ensure they do not negatively affect the ability of banks to intermediate or transact in these markets or adjacent derivatives markets.	• Enact the existing European Market Infrastructure Regulation (EMIR) 3.0 proposal to expand the scope of eligible collateral that EU CCPs may accept from NFCs to include certain guarantees, MMFs, exchange-traded funds and bonds. • Amend the non-cleared margin rules to allow third-country MMFs to be used as eligible collateral. • Calibrate the Markets in Financial Instruments Regulation (MIFIR) rules on derivatives transparency requirements (regulatory technical standard 2) to preserve liquidity and safeguard the ability to hedge in key interest rate and credit markets. • Ensure capital charges are proportionate and risk sensitive, while avoiding duplication between Pillar 1 minimum standards and Pillar 2 supervisory add-ons. • Facilitate use of digital assets as collateral – eg, in the Financial Collateral Directive, the Settlement Finality Directive and the margin rules for non-cleared derivatives under EMIR.

NEXT PAGE: Promote More Effective and Efficient Risk Management to Enable Market-making and Hedging »

PROMOTE MORE EFFECTIVE AND EFFICIENT RISK MANAGEMENT TO ENABLE MARKET-MAKING AND HEDGING

Enable firms to better measure, manage and allocate capital and margin for risk exposures for cleared and non-cleared derivatives

GLOBAL ISSUES

- **Recognize the benefits and enable increased use of internal models for calculating capital requirements, while ensuring the standardized approach is risk sensitive. Toward this end, address flaws in the profit and loss attribution and non-modellable risk factors frameworks. Also consider the impact of the output capital floor.**
- **Ensure a globally consistent and proportionate counterparty credit risk framework to safeguard financial stability while supporting market intermediation, considering the impact of any new measures on the cost of hedging, market liquidity and liquidity needs in times of stress.**
- **Facilitate appropriate innovation and links between digital assets/traditional finance while maintaining appropriate safeguards, including when trading outside traditional business hours. To increase interoperability and reduce operational risks, promote the use of industry-wide data standards for tokenized and digital assets, including smart contracts and workflow management on distributed ledgers.**
- Analyze derivatives margin requirements – particularly the margin period of risk for futures, cleared derivatives and non-cleared derivatives (currently one day, five days and 10 days, respectively) — to ensure they are set at risk-appropriate levels across the range of derivatives and any changes are appropriately reflected in capital requirements.
- Analyze and appropriately calibrate average aggregate notional amount (AANA) calculation periods, methodology and thresholds (eg, the €8 billion notional threshold and the €50 million exposure trigger) for exchanging margin under non-cleared derivatives rules to simplify the cross-border framework and support improved financial stability and risk management goals.
- Ensure cleared derivatives rules and requirements achieve the goals of maintaining financial stability and reducing risk.
- Establish a common framework that ensures CCPs have plans and resources to address non-default losses without allocating these to their participants.
- Align properly calibrated operational and third-party resiliency standards across jurisdictions, especially for critical financial market infrastructures.
- Make porting of cleared positions from one CCP to another more reliable to support client clearing and mitigate the risks of client exposures to their clearing member if that clearing member defaults.

GLOBAL ISSUES

US	UK	EU
• Enable the use of post-trade risk reduction (PTRR) services by exempting PTRR trades from clearing, trade execution and real-time reporting requirements. • Amend US prudential regulators' margin rules for non-cleared derivatives to align with amendments enacted by the CFTC, including a separate minimum transfer amount for separately managed accounts, exclusion of seeded funds from the margin affiliate definition and alignment of the aggregate average notional amount calculation period timing and methodology with the annual initial margin (IM) compliance date.	• Introduce an implementation period for NFC-s that become NFC+s in respect of the daily valuation obligations under UK EMIR. • Implement an indefinite exemption for single-stock equity options and index options from the UK bilateral margining requirements. • Secure a permanent exemption for intragroup transactions from the clearing/margining rules. • Align the UK and EU with the US by removing the obligation to exchange initial margin (IM) on derivatives contracts affected when a firm is phased-in for IM, when the firm subsequently falls below the in-scope thresholds (ie, phases out). • Implement international standards on margin model transparency of clearing houses, supporting efficient liquidity management by market participants.	• Ensure an appropriate and proportionate framework for IM model validation. • Remove the obligation to exchange IM on outstanding legacy contracts when a firm subsequently falls below the in-scope thresholds. • Sensible implementation of the EMIR 3.0 active account requirement to mitigate collateral costs and burdens for European liquidity providers and their clients. • Align the UK and EU with the US by removing the obligation to exchange IM on derivatives contracts affected when a firm is phased-in for IM, when the firm subsequently falls below the in-scope thresholds (ie, phases out). • Confirm broad EMIR and MIFIR mandates exempting PTRR administrative trades from clearing and trading obligations, removing impediments to PTRR exercises that reduce risk. • Implement international standards on margin model transparency of clearing houses, supporting efficient liquidity management by market participants.

NEXT PAGE: Mitigate Negative Impacts of Cross-border Inconsistencies to Enable Capital Flows and Risk Hedging Across Jurisdictions »

MITIGATE NEGATIVE IMPACTS OF CROSS-BORDER INCONSISTENCIES TO ENABLE CAPITAL FLOWS AND RISK HEDGING ACROSS JURISDICTIONS

Intensify efforts to minimize regulatory divergence, tailor the scope of extraterritorial regulations and provide increased recognition to the regulatory standards of other countries

GLOBAL ISSUES

GLOBAL ISSUES

- **Authorities should establish a structured dialogue to harmonize the implementation of key standards with high capital impact and material divergences that drive competitive disparities and/or market fragmentation. A prime example is the standardized approach for counterparty credit risk (SA-CCR).**

US	UK	EU
• US prudential regulators should achieve a level playing field for US and non-US banks by refining the foreign swap exemption and/or leveraging the CFTC's substituted compliance order. • Address inconsistencies in the cross-border application of the US regulatory framework: (1) the Securities and Exchange Commission (SEC) should eliminate the 'arrange, negotiate, execute' standard under its cross-border framework to make it consistent with the CFTC's approach; (2) the CFTC and SEC should align their definitions of 'US person'; and (3) ensure the cross-border application of key CFTC requirements (reporting, trade execution, clearing) is risk-based and appropriately calibrated to exclusively capture activity with a direct and significant nexus to the US. • The CFTC should eliminate restrictions on margin substituted compliance when there is a US guarantor.	• Reform the UK Benchmarks Regulation (BMR) to introduce proportionality and overhaul the third-country regime. • Achieve a level playing field on market risk rules in the Basel 3.1 framework. • Recognize EU derivatives trading venues under the overseas recognition regime.	• Preserve cross-border business by ensuring the ability of EU firms to access non-EU markets and use important non-EU market infrastructure. Grant equivalence to UK multilateral trading facilities and organized trading facilities for the derivatives trading obligation. • Exercise a delegated act exempting key non-EU FX benchmarks from significant benchmarks treatment (preserving the ability for EU users to access non-EU markets). Enable similar exemptive treatment for important non-EU interest rate benchmarks. • Achieve a level playing field on market risk rules under the Capital Requirements Regulation III framework.

NEXT PAGE: Simplify Regulations: Reduce Redundancies and Unnecessary Costs »

SIMPLIFY REGULATIONS: REDUCE REDUNDANCIES AND UNNECESSARY COSTS

Streamline regulatory requirements related to swap dealer registration, trade reporting and disclosure, as well as other areas that are duplicative, not properly calibrated and/or do not support material policy objectives

GLOBAL ISSUES

- Enhance the use of existing data reported by market participants to understand market dynamics and avoid unnecessarily requiring additional information.
- Improve the quality of existing required data and information flow by harmonizing reporting requirements across jurisdictions, adopting global standards, eliminating redundant requirements and implementing machine readability and semantic accuracy for reporting requirements (requirements as code). Improve the quality of reported data by encouraging standardized digital regulatory reporting using the Common Domain Model.

GLOBAL ISSUES

US	UK	EU
• Codify SEC security-based swap reporting rules to align with CFTC requirements. • Revisit and streamline CFTC reporting rules. • Review rules applicable to swap dealers (SDs) and security-based swap dealers (SBSDs) to ensure they remain fit for purpose and are generally harmonized to eliminate unwarranted complexities – ie, certain disclosure rules, such as the pre-trade mid-market mark, daily marks scenario analysis and quarterly securities counts and reporting of back-office procedure compliance, provide little value. Certain portfolio reconciliation requirements are duplicative of obligations under the margin rules for non-cleared derivatives. • Enhance the legal certainty of swaps rules by codifying established CFTC positions (eg, no-action letters/interpretative guidance).	• Comprehensively review financial transaction reporting across MIFIR and EMIR to remove duplication and streamline these regimes, including implementation of single-sided reporting for EMIR and a ‘report once per transaction’ framework to ensure OTC derivatives transactions need not be reported for both EMIR and MIFIR. • Standardize data formats between regulators, exploring the benefits of a common dataset for compliance with multiple reporting regimes. Leverage machine-readability and semantic accuracy (ie, regulatory reporting requirements as code) to enhance data quality and reduce costs. • Require transactions cleared at UK CCPs to be reported by the CCP only.	• Comprehensively review financial transaction reporting across MIFIR and EMIR to remove duplication and streamline these regimes, including implementation of single-sided reporting for EMIR and a ‘report once per transaction’ framework to ensure OTC derivatives transactions need not be reported for both EMIR and MIFIR. • Standardize data formats between regulators, exploring the benefits of a common dataset for compliance with multiple reporting regimes. Leverage machine-readability and semantic accuracy (ie, regulatory reporting requirements as code) to enhance data quality and reduce costs.

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US	UK	EU
Clarify the allocation of responsibilities among counterparties to a prime-broker-facilitated transaction (eg, reporting and disclosure requirements).	- Implement the use of unique product identifiers (UPIs) rather than ISINs for derivatives transparency requirements, and phase-in use of UPIs for transaction reporting. - Remove OTC derivatives from the UK systematic internalizer regime.	Ensure the proportionate, harmonized and symmetrical treatment of derivatives in the EU's sustainable finance framework at entity and product level, in line with the Platform on Sustainable Finance's derivatives recommendations. - Implement the use of UPIs rather than ISINs for derivatives transparency, and phase-in use of UPIs for transaction reporting. - Improve data sharing among different regulatory authorities within the EU and across borders with third-country jurisdictions to improve supervision and reduce the reporting burden for firms. - Introduce more rigorous assessment and cost-benefit analysis for sustainable finance reporting to achieve desired outcomes while preventing and reducing burdens. Remove the trading book key performance indicator from the Taxonomy Delegated Act as it is not useful for decision-making.

NEXT PAGE: Appendix »

APPENDIX

This section segments policy ideas by key area: capital, margin, clearing, trading and reporting. While some of the ideas span more than one area, they are only listed once to avoid duplication. The most immediate priorities, many of which are under discussion now by market participants and policymakers, appear in bold. Other issues are longer-term in nature and require additional analysis or research to develop an optimal policy recommendation and/or solution.

CAPITAL

GLOBAL ISSUES

- **Finalize the Basel III capital rules without increasing capital requirements for large banks and implement consistently across jurisdictions.**
 - Address issues in the Fundamental Review of the Trading Book, such as the capital treatment of collective investment undertakings and the need for a more harmonized and risk-sensitive application of the residual risk add-on with respect to the scope of instruments captured.
 - Amend (US)/examine (EU/UK) supplementary leverage ratio (SLR) requirements to increase banks' balance sheet capacity, especially during periods of stress.
- Recognize the benefits and enable increased use of internal models for calculating capital requirements, while ensuring the standardized approach is risk sensitive. Toward this end, address flaws in the profit and loss attribution and non-modellable risk factors frameworks. Also consider the impact of the output capital floor.
- Ensure a globally consistent and proportionate counterparty credit risk framework to safeguard financial stability while supporting market intermediation, considering the impact of any new measures on the cost of hedging, market liquidity and liquidity needs in times of stress.
- Authorities should establish a structured dialogue to harmonize the implementation of key standards with high capital impact and material divergences that drive competitive disparities and/or market fragmentation. A prime example is the standardized approach for counterparty credit risk (SA-CCR).

GLOBAL ISSUES

US	UK	EU
• Avoid punitive capital treatment of centrally cleared transactions (eg, credit valuation adjustment and the buffer for global systemically important banks).	• Achieve a level playing field on market risk rules in the Basel 3.1 framework. • Ensure capital charges are proportionate and risk sensitive, while avoiding duplication between Pillar 1 minimum standards and Pillar 2 supervisory add-ons.	• Achieve a level playing field on market risk rules under the Capital Requirements Regulation III framework. • Ensure capital charges are proportionate and risk sensitive, while avoiding duplication between Pillar 1 minimum standards and Pillar 2 supervisory add-ons.

NEXT PAGE: Margin »

MARGIN

GLOBAL ISSUES

- **Examine and potentially enhance the flexibility that counterparties have in their choice of collateral posted/received for cleared and non-cleared derivatives, easing the pressure from collateral demands.**
- **Assess ways to overcome portfolio margining obstacles, while ensuring capital regulations recognize cross-product netting.**
- Analyze derivatives margin requirements – particularly the margin period of risk for futures, cleared derivatives and non-cleared derivatives (currently one day, five days and 10 days, respectively) — to ensure they are set at risk-appropriate levels across the range of derivatives and any changes are appropriately reflected in capital requirements.
- Analyze and appropriately calibrate average aggregate notional amount (AANA) calculation periods, methodology and thresholds (eg, the €8 billion notional threshold and the €50 million exposure trigger) for exchanging margin under non-cleared derivatives rules to simplify the cross-border framework and support improved financial stability and risk management goals.
- Ensure consistency, clarity and regulatory certainty of digital assets as collateral for both cleared and non-cleared margin. Clarify that a tokenized version of eligible non-cash collateral can be used as margin when the regulated entity determines that it satisfies legal and risk requirements using existing policies, procedures and practices.
- Avoid adverse impact of reforms to adjacent markets (eg, repos) on collateral funding.

GLOBAL ISSUES

US	UK	EU
• Revisit the existing collateral regime to address longstanding recommendations (eg, Commodity Futures Trading Commission (CFTC) proposed amendments to eliminate the asset transfer restriction on the use of money market funds (MMFs) as eligible collateral for non-cleared margin and the use of third-country MMFs, and consider the implication of new technology, such as tokens and stablecoins. Ensure corresponding changes in US prudential regulations.	• Introduce an implementation period for NFC-s that become NFC+s in respect of the daily valuation obligations under the UK European Market Infrastructure Regulation (EMIR). • Implement an indefinite exemption for single-stock equity options and index options from the UK bilateral margining requirements. • Secure a permanent exemption for intragroup transactions from the clearing/margining rules.	• Amend the non-cleared margin rules to allow third-country MMFs to be used as eligible collateral. • Ensure appropriate and proportionate framework for IM model validation. • Facilitate use of digital assets as collateral – eg, in the Financial Collateral Directive, the Settlement Finality Directive and the margin rules for non-cleared derivatives under the European Market Infrastructure Regulation (EMIR).

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US	UK	EU
Amend US prudential regulators' margin rules for non-cleared derivatives to align with amendments enacted by the CFTC, including a separate minimum transfer amount for separately managed accounts, exclusion of seeded funds from the margin affiliate definition and alignment of the aggregate average notional amount calculation period timing and methodology with the annual initial margin (IM) compliance date.	- Examine and respond appropriately to regulatory proposals on the clearing and margining of repo transactions and ensure they do not negatively impact banks' abilities to intermediate or transact in these markets or adjacent derivatives markets. - Align the UK and EU with the US by removing the obligation to exchange initial margin (IM) on derivatives contracts affected when a firm is phased-in for IM, when the firm subsequently falls below the in-scope thresholds (ie, phases out).	Align the UK and EU with the US by removing the obligation to exchange IM on derivatives contracts affected when a firm is phased-in for IM, when the firm subsequently falls below the in-scope thresholds (ie, phases out).

NEXT PAGE: Clearing »

CLEARING

GLOBAL ISSUES

- Ensure cleared derivatives rules and requirements achieve the goals of maintaining financial stability and reducing risk.
- Establish a common framework that ensures CCPs have plans and resources to address non-default losses without allocating these to their participants.
- Make porting of cleared positions from one CCP to another more reliable to support client clearing and mitigate the risks of client exposures to their clearing member if that clearing member defaults.
- Address procyclicality in regulatory requirements to reduce margin spikes, particularly during periods of stress, and make margin methodologies more transparent.

GLOBAL ISSUES

US	UK	EU
	• Enact UK authorities' powers to expand the scope of eligible collateral that UK CCPs may accept from NFCs to include certain guarantees, MMFs, exchange-traded funds and bonds. • Secure a permanent exemption for intragroup transactions from the clearing/margining rules. • Require transactions cleared at UK CCPs to be reported by the CCP only.	• Enact the existing EMIR 3.0 proposal to expand the scope of eligible collateral that EU CCPs may accept from NFCs to include certain guarantees, MMFs, exchange-traded funds and bonds. • Sensible implementation of the EMIR 3.0 active account requirement to mitigate collateral costs and burdens for European liquidity providers and their clients. • Implement international standards on margin model transparency of clearing houses, supporting efficient liquidity management by market participants.

NEXT PAGE: Trading & Reporting »

TRADING AND REPORTING

GLOBAL ISSUES

- Ensure that transparency regimes are appropriately calibrated to support smooth market functioning, particularly in periods of market stress.
- Facilitate appropriate innovation and links between digital assets/traditional finance while maintaining appropriate safeguards, including when trading outside traditional business hours. To increase interoperability and reduce operational risks, promote the use of industry-wide data standards for tokenized and digital assets, including smart contracts and workflow management on distributed ledgers.
- Enhance the use of existing data reported by market participants to understand market dynamics and avoid unnecessarily requiring additional information.
- Improve the quality of existing required data and information flow by harmonizing reporting requirements across jurisdictions, adopting global standards, eliminating redundant requirements and implementing machine readability and semantic accuracy for reporting requirements (requirements as code). Improve the quality of reported data by encouraging standardized digital regulatory reporting using the Common Domain Model.

GLOBAL ISSUES

US	UK	EU
• Codify SEC security-based swap reporting rules to align with CFTC requirements. • Support a CFTC review of block thresholds to ensure they are set appropriately and transparently to support smooth market functioning, particularly in periods of stress. Examine how the combination of high block thresholds and swap execution facility (SEF) execution requirements affect market functioning and liquidity. • Enable non-US branches of US banks to access trading venues in the jurisdictions where they are operating, and where liquidity may be higher, by not classifying them as a 'US person' for the purposes of triggering SEF registration requirements.	• Reform the UK Benchmarks Regulation (BMR) to introduce proportionality and overhaul the third-country regime. • Standardize data formats between regulators, exploring the benefits of a common dataset for compliance with multiple reporting regimes. Leverage machine-readability and semantic accuracy (ie, regulatory reporting requirements as code) to enhance data quality and reduce costs. • Introduce an implementation period for NFC-s that become NFC+s in respect of the daily valuation obligations under UK EMIR.	• Calibrate the MIFIR rules on derivatives transparency requirements (regulatory technical standard 2) to preserve liquidity and safeguard the ability to hedge in key interest rate and credit markets. • Preserve cross-border business by ensuring the ability of EU firms to access non-EU markets and use important non-EU market infrastructure. • Grant equivalence to UK multilateral trading facilities and organized trading facilities for the derivatives trading obligation. • Exercise a delegated act exempting key non-EU FX benchmarks from significant benchmarks treatment (preserving the ability for EU users to access non-EU markets). Reform the BMR to enable similar exemptive treatment for important non-EU interest rate benchmarks.

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US	UK	EU
• US prudential regulators should achieve a level playing field for US and non-US banks by refining the foreign swap exemption and/or leveraging the CFTC's substituted compliance order. • Address inconsistencies in the cross-border application of the US regulatory framework: (1) eliminate the 'arrange, negotiate, execute' standard under the SEC's cross-border framework to make it consistent with the CFTC's approach; (2) modify the CFTC's definitions of 'US person' to align with the SEC; and (3) ensure the cross-border application of key CFTC requirements (reporting, trade execution, clearing) is risk-based and appropriately calibrated to exclusively capture US activity. • Enable the use of post-trade risk reduction (PTRR) services by exempting PTRR trades from clearing, trade execution and real-time reporting requirements. • Revisit and streamline CFTC reporting rules to eliminate unnecessary requirements. • Review rules applicable to swap dealers (SDs) and security-based swap dealers (SBSDs) to ensure they remain fit for purpose and are generally harmonized to eliminate unwarranted complexities – ie, certain disclosure rules, such as the pre-trade mid-market mark, daily marks scenario analysis and quarterly securities counts and reporting of back-office procedure compliance, provide little value. Certain portfolio reconciliation requirements are duplicative of obligations under the margin rules for non-cleared derivatives.	• Comprehensively review financial transaction reporting across the Markets in Financial Instruments Regulation (MIFIR) and EMIR to remove duplication and streamline these regimes, including implementation of single-sided reporting for EMIR and a 'report once per transaction' framework to ensure OTC derivatives transactions need not be reported for both EMIR and MIFIR. • Recognize EU derivatives trading venues under the overseas recognition regime. • Require transactions cleared at UK CCPs to be reported by the CCP only. • Implement the use of unique product identifiers (UPIs) rather than ISINs for derivatives transparency requirements, and phase-in use of UPIs for transaction reporting.	• Comprehensively review financial transaction reporting across MIFIR and EMIR to remove duplication and streamline these regimes, including implementation of single-sided reporting for EMIR and a 'report once per transaction' framework to ensure OTC derivatives transactions need not be reported for both EMIR and MIFIR. • Standardize data formats between regulators, exploring the benefits of a common dataset for compliance with multiple reporting regimes. Leverage machine-readability and semantic accuracy (ie, regulatory reporting requirements as code) to enhance data quality and reduce costs. • Ensure the proportionate, harmonized and symmetrical treatment of derivatives in the EU's sustainable finance framework at entity and product level, in line with the Platform on Sustainable Finance's derivatives recommendations. • Confirm broad EMIR and MIFIR mandates exempting PTRR administrative trades from clearing and trading obligations, removing impediments to PTRR exercises that reduce risk. • Implement the use of UPIs rather than ISINs for derivatives transparency, and phase-in use of UPIs for transaction reporting. • Improve data sharing among different regulatory authorities within the EU and across borders with third-country jurisdictions to improve supervision and reduce the reporting burden for firms.
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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 1,000 member institutions from 77 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 [LinkedIn](#) and [YouTube](#).