



ISDA Launches Outreach Initiative on Proposed Notices Hub

NEW YORK, April 25, 2024 – The International Swaps and Derivatives Association, Inc. (ISDA) has begun a major industry outreach initiative to establish support among dealers and buy-side firms for a new online platform that would allow the instantaneous delivery and receipt of critical termination-related notices, reducing the risk exposure and potential losses from a delay.

Just a small holdup in the delivery of a termination notice – for example, from Friday afternoon to Monday morning – could result in an uncollateralized loss of \$1 million¹. Bigger portfolios and more volatile conditions could increase the risk significantly.

Under the ISDA Master Agreement, termination-related notices must be delivered by certain prescribed methods, using company address details listed in the agreement. However, delays can occur if a company has moved and the documentation hasn't been updated with the new details or if delivery to a physical location is not possible due to geopolitical shocks.

Based on an analysis of 255 terminated derivatives relationships following the insolvency of Lehman Brothers International (Europe) (LBIE) in 2008, ISDA and LBIE administrators from PwC found that around 16% of termination notices had been delivered to LBIE's old address (either exclusively or in addition to the new address). If representative of the entire portfolio of nearly 3,400 ISDA Master Agreements, then as many as 550 termination notices could have been sent to the previous address. As well as creating uncertainty for senders of notices, a recipient that is unaware it has received a notice may miss the chance to take action to avoid a default or not realize it has become unhedged.

The proposed ISDA Notices Hub would act as a secure central platform for firms to deliver notices, with automatic alerts sent to the receiving entity. Multiple designated people at each firm would be able to access the hub from anywhere in the world, regardless of the situation at its physical location. The platform would also allow market participants to update their physical address details via a single entry, providing a golden source of those details.

As part of the outreach initiative, ISDA is seeking indications of support for the Notices Hub from dealers and buy-side institutions before proceeding with development. To help firms signal their intent to adopt in principle, ISDA has developed a written specification of the platform along with a high-level survey of ISDA's e-contract counsels, which has found there would be no obvious impediment to using such a hub to serve notice in at least 58 jurisdictions.

¹ Based on a 99% value-at-risk calculation assuming an outright non-cleared derivatives portfolio with \$10 million of initial margin and moderate volatility

“Delays in the delivery and receipt of termination notices can have serious economic consequences, creating uncertainty over the time at which trades must be valued for the purposes of close out. Our analysis has shown that delays in the delivery of a termination notice can result in losses running to millions of dollars. There has to be a better way. That’s why we’re proposing to develop an industry notices hub, which would enable the immediate delivery and receipt of notices from anywhere in the world via an online platform,” said Scott O’Malia, ISDA’s Chief Executive.

The ISDA Notices Hub would be free for buy-side users and available via S&P Global Market Intelligence’s Counterparty Manager platform, with a target launch date of the first quarter of 2025. It is unlikely ISDA will proceed to development if there aren’t sufficient indications of support from the industry.

For more information on the ISDA Notices Hub, visit the [ISDA Solutions InfoHub](#).

For Press Queries, Please Contact:

Nick Sawyer, ISDA London, +44 20 3808 9740, nsawyer@isda.org

Lauren (Dobbs) Springer, ISDA New York, +44 212 901 6019, ldobbs@isda.org

Joel Clark, ISDA London, +44 20 3808 9760, jclark@isda.org

Christopher Faimali, ISDA London, +44 20 3808 9736, cfaimali@isda.org

Nikki Lu, ISDA Hong Kong, +852 2200 5901, nlu@isda.org

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](#).