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For Immediate Release

ISDA Publishes 2013 Standard Credit Support Annex (SCSA™)

NEW YORK, June 7, 2013 – The International Swaps and Derivatives Association, Inc. (ISDA), today announced the publication of the 2013 Standard Credit Support Annex (SCSA™).

The SCSA seeks to standardize market practices in collateral management for over-the-counter (OTC) derivatives. It removes embedded optionality in the existing CSA, promotes the adoption of overnight index swap (OIS) discounting, and aligns the mechanics and economics of collateralization between the bilateral and cleared OTC derivative markets. In addition, the SCSA seeks to create a homogeneous valuation framework, reducing current barriers to resolving novations and valuation disputes.

"The Standard CSA is part of ISDA's continuing efforts to increase efficiency and improve standardization in the OTC derivatives markets," said Robert Pickel, ISDA Chief Executive Officer. "The SCSA simplifies market processes regarding collateralization by promoting consistent and transparent valuations while making assignment and risk transfer in the bilateral and cleared space more efficient."

The SCSA is a market-driven initiative with a flexible implementation approach that allows firms to move at the pace they deem appropriate. Market participants have the option of adopting the new SCSA or continuing to use the current CSA. ISDA will support both documents, and expects that a number of market participants will move to the new SCSA over time because of the benefits it offers.

The SCSA retains the operational mechanics of the current CSA but amends the collateral calculation so that derivative exposures and offsetting collateral are grouped into like currencies, or "silos". The SCSA contemplates the sole use of cash as eligible collateral for variation margin (securities will still be permitted for initial margin). Each currency silo is evaluated independently to generate a required movement of collateral in the relevant currency. This aligns bilateral collateral structures and economics to be more consistent with margin approaches adopted by global clearing houses.

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To avoid cross-currency risk, a new net settlement process has been deployed alongside the SCSA: the Implied Swap Adjustment (ISA) methodology. This process enables parties to net various silo collateral flows into a single payment with a single currency. To achieve net settlement, a common set of standardized market rates is required, including overnight interest rates and the Bloomberg-ISDA SCSA rates for FX, which serves as the foundation for the Bloomberg-ISDA SCSA fixing (the "SCSA rate"). The SCSA rate can then be used by investors to determine collateral and margin requirements between counterparties across multiple currencies. The rates are published by Bloomberg daily and available to subscribers of the Bloomberg Professional service at SCSA<GO>.

"The SCSA is an important industry-driven response to the evolving public and private sector thinking on the topic of risk mitigation," said R. Martin Chavez, ISDA Board Member and Managing Director and Global Co-COO, Equities Franchise, Goldman, Sachs & Co. "It is another step in the ongoing efforts of ISDA and market participants to standardize OTC derivatives practices and processes."

"The development of the SCSA reinforces the growing market consensus towards the use of overnight index swap discounting for derivatives," said Richard Herman, ISDA Board Member and Global Head of Institutional Sales, Deutsche Bank AG. "It also represents a major step forward in developing a consistent collateral valuation framework for market participants."

Collateralization remains among the most widely used methods to mitigate counterparty credit risk in the OTC derivatives market, and market participants have increased their reliance on collateralization over the years. According to ISDA's most recent Margin Survey, 84 percent of all transactions are now executed with the support of a collateral agreement at large dealer firms. In the credit derivatives markets, 93 percent of all trades executed were subject to collateral arrangements in 2011. The role of central counterparties (CCPs) in clearing trades and in managing collateral is also of growing importance. According to ISDA's Mid-Year 2012 Market Analysis, about 54 percent of the adjusted IRS volume was centrally cleared as of June 30, 2012. A substantial amount of CDS clearing has also occurred since 2009. The primary source of bilateral uncollateralized transactions is highly rated counterparties, such as central banks, debt management offices and sovereigns.

The ISDA Collateral Steering Committee led the development of the SCSA, at the request of the ISDA Board of Directors. A webcast, in which Michael Clarke, co-chair of the ISDA Collateral Steering Committee and Managing Director, Goldman, Sachs & Co., answers questions regarding the SCSA, is available on the ISDA website's Webcasts & Videos page. The SCSA is available under New York and English Law in the ISDA website's Market Infrastructure section under Collateral. ISDA expects to publish a SCSA User's Guide in due course.

For Media Enquiries, Please Contact:
Lauren Dobbs, ISDA New York, +1 212 901 6019, ldobbs@isda.org
Rebecca O'Neill, ISDA London, +44 203 088 3586, roneill@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.