

GMAC October 25, 2021 Meeting

Panel 3: Dodd-Frank Act Implementation

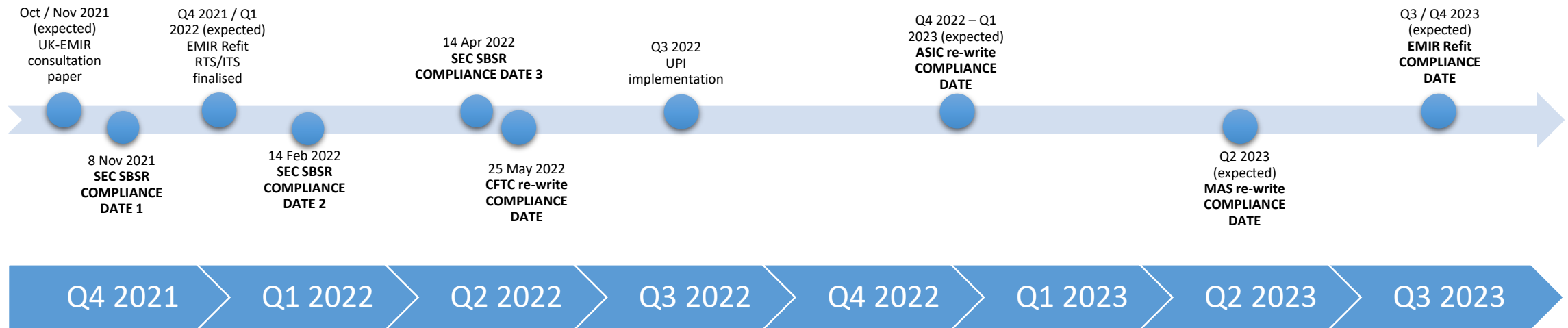
Presenters:

- Tara Kruse, Global Head of Infrastructure, Data and Non-Cleared Margin, ISDA
- Kyle Brandon, Managing Director, Head of Derivatives Policy, SIFMA
- Colin Lloyd, Partner, Cleary Gottlieb Steen & Hamilton LLP

Topics:

- Swap Data Reporting
 - Reporting 2.0
 - Digital Regulatory Reporting
 - Cross border
- Uncleared Margin
 - Phases 5 & 6
 - GMAC Report
 - Portfolio Margining
- Swap Dealer Capital and Financial Reporting
 - Policy issues
 - Implementation challenges

New Regulatory Reporting Requirements: Re-writes of technical standards

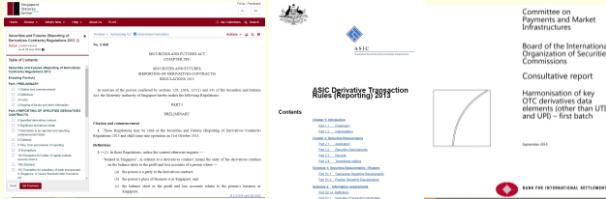


CFTC re-write	EMIR Refit	APAC re-writes (# of fields subject to change)
128 fields (current CFTC reporting has 138 fields + “Any Other Terms”)	203 fields (current EMIR reporting has 129 fields)	ASIC – 124 fields
Single-sided reporting	Reconciliation performed on 146 fields	MAS – 136 fields
Single-sided reporting	Dual-sided reporting	JFSA – 148 fields (consultation paper to be published)
ISO 20022 message mandated	ISO 2022 message mandated	
UPI required for all trades	ISIN or UPI required for all trades	



REGULATORS & TRADE ASSOCIATIONS

Publish rules and develop best practices

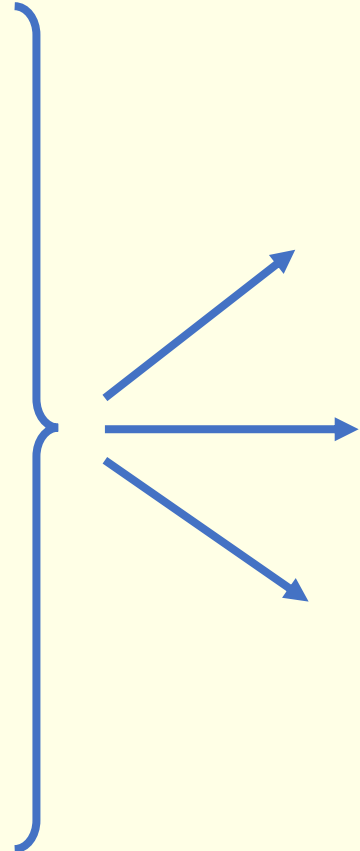


Regulatory Text Artefacts

Tables of Data Field Mappings



Graphs and Spreadsheets of Trading Scenarios



INDUSTRY PARTICIPANTS

Implement their own solutions based on individual interpretations



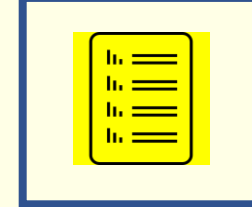
Dealer X



Dealer Y



Vendor Z



Resulting in fragmented and inconsistent implementations & operational inefficiencies

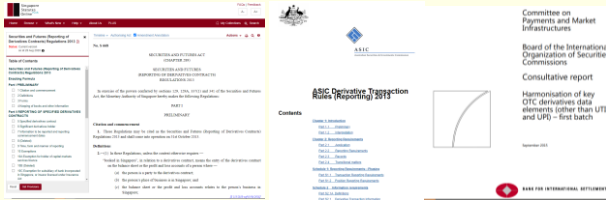
- Every industry participant left to implement their own version based on interpretation of artefacts
- Loss of inter-operability between solutions
- Pervasive reconciliation issues and other operational inefficiencies



How can the market implement regulation with the CDM?

REGULATORS & TRADE ASSOCIATIONS

Publish rules and develop best practices



Regulatory Text Artefacts

Field	Mapping	Description
Account ID	10000000000000000000	Account ID
Account Name	10000000000000000000	Account Name
Account Type	10000000000000000000	Account Type
Account Status	10000000000000000000	Account Status
Account Location	10000000000000000000	Account Location

Tables of Data Field Mappings



Graphs and Spreadsheets of Trading Scenarios

INDUSTRY PARTICIPANTS

Implement the same code in their solutions

Implement rules, guidance and best practices at “warp” speed

Offer a standardized model to develop data driven rules



- ✓ Standardised model to express data driven rules
- ✓ Directly operational output (software)
- ✓ Eliminates reconciliation issues by promoting a single interpretation of regulation as code
- ✓ Enables inter-operability of solutions



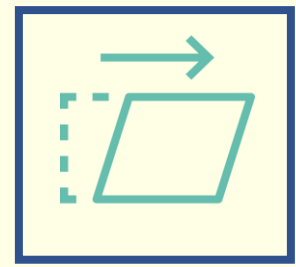
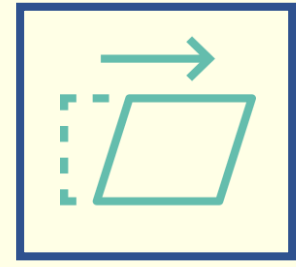
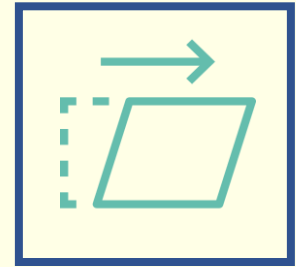
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Dealer Y



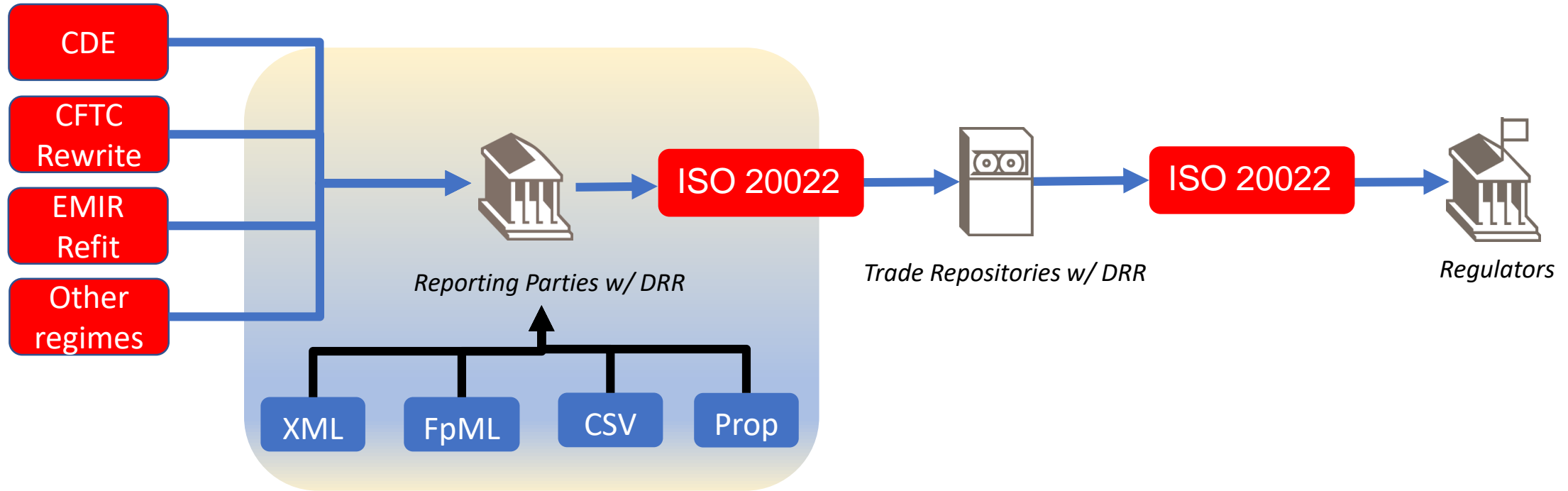
Vendor Z



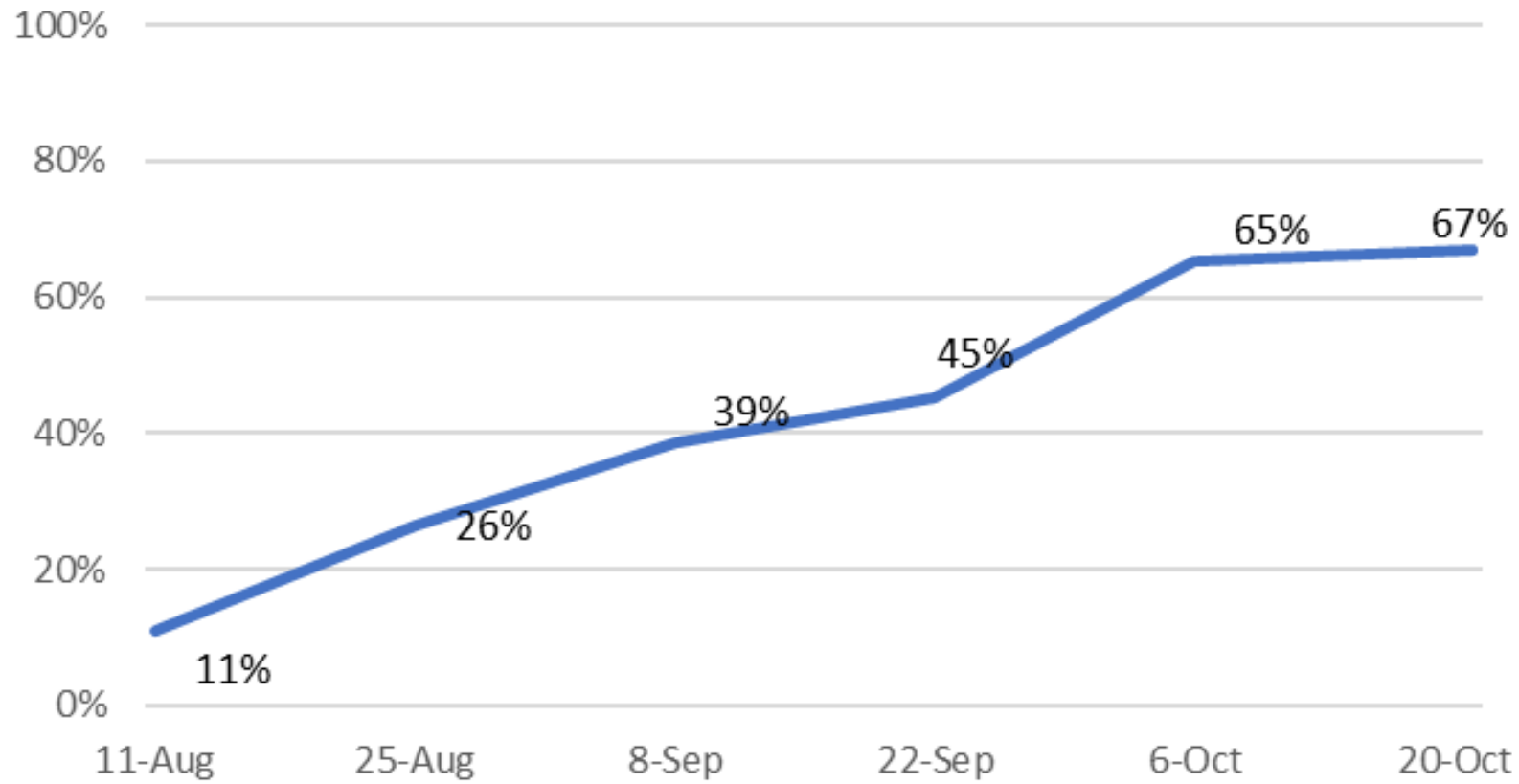
Consistent Industry Implementations



CFTC rewrite and EMIR Refit brings major challenges, including aggressive compliance timeframes in 2022 and 2023 along with reporting to TRs using ISO 2002. Using DRR via CDM, parties would still be able to use CSV, FpML, etc.:



Percentage of Phase 5 Counterparty Relationships Operationally Ready to Post Initial Margin



IM Phase-in Estimates

- ISDA estimates show that as a result of the changes to the IM phasing announced by BCBS and IOSCO:
 - Expected number counterparties and relationships will be:

Phase	AANA Range	Counterparties	Relationships
Phase Five	€50bn<AANA≤€750bn	314 (29%)	3,616 (40%)
Phase Six	€8bn<AANA≤€50bn	775 (71%)	5,443 (60%)
Total	€8bn<AANA≤€750bn	1089 (100%)	9,059 (100%)

- Expected number of relationships that would breach the IM Threshold with GRID and SIMM within the first two years of their regulatory obligation:

Phase	AANA Range	Relationships	IM ≤ EUR50M	IM > EUR50M
Phase Five	€50bn<AANA≤€750bn	3,616	2,125 to 2,595 (59 to 72%)	1,021 to 1,491 (28 to 41%)
Phase Six	€8bn<AANA≤€50bn	5,443	4,205 to 4,620 (78 to 85%)	823 to 1,238 (15 to 22%)

GMAC Subcommittee on Margin Requirements Recommendations

Restrictions on Money Market Funds

- Recommendation: Eliminate undue restrictions on the activity of eligible MMFs to transfer assets through securities lending, securities borrowing, repurchase agreements, and reverse repurchase agreements.

Consolidation Requirement for Seeded Funds

- Recommendation: In accordance with the BCBS-IOSCO framework and other global jurisdictions, provide an exemption from the consolidation of seeded funds with their sponsors for purposes of calculating AANA and MSE during the limited seeding period in order to provide a level playing field domestically and globally for these seeded funds.

Separate IM Threshold for Separately Management Accounts

- Recommendation: Allow each SMA to be treated as a distinct entity to which a separate regulatory IM Threshold will apply, thereby giving each manager much-needed certainty and control over when an SMA is at or near the IM Threshold.