



RELEVANT TRANSACTIONS

Transactions Covered

- Uncleared swaps entered into on or after the relevant compliance date
- Novations and amended swaps

Transactions NOT Covered

- Physically-settled FX forwards and FX swaps
- Fixed, physically-settled exchange of principal in cross-currency swaps
- Uncleared security-based swaps

IMPLEMENTATION DATES

Initial Margin

If both (a) the CSE and its affiliates and (b) you and your affiliates have an average daily aggregate notional amount of uncleared swaps, uncleared SB swaps, FX forwards and FX swaps for March, April and May of the relevant year that exceeds:
 \$3 trillion → **9/1/16**; \$2.25 trillion → **9/1/17**;
 \$1.5 trillion → **9/1/18**; \$.75 trillion → **9/1/19**; and all others → **9/1/20**

Variation Margin

If both (a) the CSE and its affiliates and (b) you and your affiliates have an average daily aggregate notional amount of uncleared swaps, uncleared SB swaps, FX forwards and FX swaps for March, April and May of the relevant year that exceeds:
 \$3 trillion → **9/1/16**; and all others → **3/1/17**

MARGIN CALCULATIONS

Initial Margin

CFTC or NFA-Approved Model

- One-tailed 99% confidence level over the shorter of (i) 10 business days, and (ii) the maturity of the swap, and capturing all material risks of the swap, including material non-linear price characteristics
- Equally weighted historical observation period of 1-5 years plus a period of significant financial stress for each relevant asset class

Standardized Approach

Specifies the minimum IM to be collected as a percentage of notional, modified by a net-to-gross ratio adjustment

Variation Margin

- At least equal to the increase or decrease (as applicable) in the value of the uncleared swap since the previous exchange of VM
- Mid-market prices are permitted for purposes of determining the cumulative mark-to-market change
- Must use methods, procedures, rules and inputs that rely on recently-executed transactions, valuations provided by independent 3rd parties or other objective criteria

NETTING

Initial Margin

CFTC or NFA-Approved Model

- If documented under the same EMNA, may net uncleared swaps (that are subject to the margin requirements) within but not across 4 broad risk categories: (a) fx and interest rates, (b) credit, (c) equity, and (d) commodities
- Each swap must be assigned to a single risk category

Models cannot permit offsets between IM collected by one party and posted by the other

Standardized Approach

- Recognition of risk offsets through the net-to-gross ratio for uncleared swaps under the same EMNA (that are subject to the margin requirements)
- The net-to-gross ratio provides a 60% benefit of cross-asset netting

Variation Margin

Netting is permitted across uncleared swaps under the same EMNA (that are subject to the margin requirements)

Additional Netting Rules

- *IM and VM cannot be netted against each other.*
- *Cannot net against products that are not subject to the margin requirements for purposes of IM or VM (e.g., FX swaps, FX forwards, SB swaps, etc.).*
- *An EMNA can have different netting portfolios (via multiple CSAs) to separately identify (i) pre- and post-compliance date swaps; (ii) swaps subject to and not subject to the margin requirements; and (iii) swaps entered into before and after counterparty status changes (e.g., w/ and w/o material swaps exposure).*

IM THRESHOLD & MTA

IM Thresholds

Maximum aggregate credit exposure of **\$50 million** resulting from all applicable uncleared swaps between the CSE and its affiliates and you and your affiliates (to be subtracted from IM requirement)

The consolidated basis requirement applies to both the party to which the threshold is being extended and the party that is extending the threshold

Minimum Transfer Amount

A combined initial and variation margin amount of **\$500,000** (to be collected or posted), under which a CSE is not required to collect from or post to you (once threshold is surpassed, entire amount of margin must be collected/posted)

IM & VM TIMING

Daily calculation of each margin type, where applicable, with an initial obligation to collect/post (as relevant) within one BD of execution of the uncleared swap and a continuing obligation pursuant to the daily calculation, until the uncleared swap is terminated or expires

ELIGIBLE COLLATERAL

Initial Margin

Cash (in USD, another major currency or the currency of settlement); debt securities issued or guaranteed by the U.S. Dept. of Treasury or other U.S. government agency, the BIS, the IMF, multilateral development banks and the ECB (and certain other sovereign entities); debt securities of certain U.S. GSEs; certain foreign government debt securities; certain corporate debt securities; certain listed equities; shares in certain pooled investment vehicles; and gold

Haircut schedule applies (including an additional 8% haircut for collateral denominated in a currency that is not the currency of settlement, except for eligible collateral denominated in a single termination currency designated as payable to the non-posting counterparty as part of the EMNA)

Variation Margin

Any of the same forms of eligible collateral permitted for IM
Haircut schedule applies (including an additional 8% haircut for collateral denominated in a currency that is not the currency of settlement, except for cash denominated in USD or another major currency)

Additional Eligible Collateral Rules

- *If any collateral collected or posted pursuant to the margin rule declines in market value or becomes ineligible, the CSE is required to collect or post, as applicable, additional eligible collateral and/or sufficient eligible replacement collateral to remain compliant.*
- *IM or VM collected or posted, that is not required pursuant to the margin rule (i.e., excess margin), may be in any form of collateral.*

SEGREGATION & REHYPOTHECATION

Initial Margin

- The CSE is required to segregate all IM collected pursuant to the margin rule at a 3rd party custodian
- All IM posted by the CSE (even if not pursuant to the margin rule) must be held by a 3rd party custodian
- No rehypothecation
- Custodial agreement may permit the posting party to substitute or direct reinvestment of posted collateral in eligible collateral that is subject to requisite haircuts

Any initial margin exceeding the amount required pursuant to the margin rule (i.e., excess margin) is not required to be segregated

Variation Margin

No segregation requirements