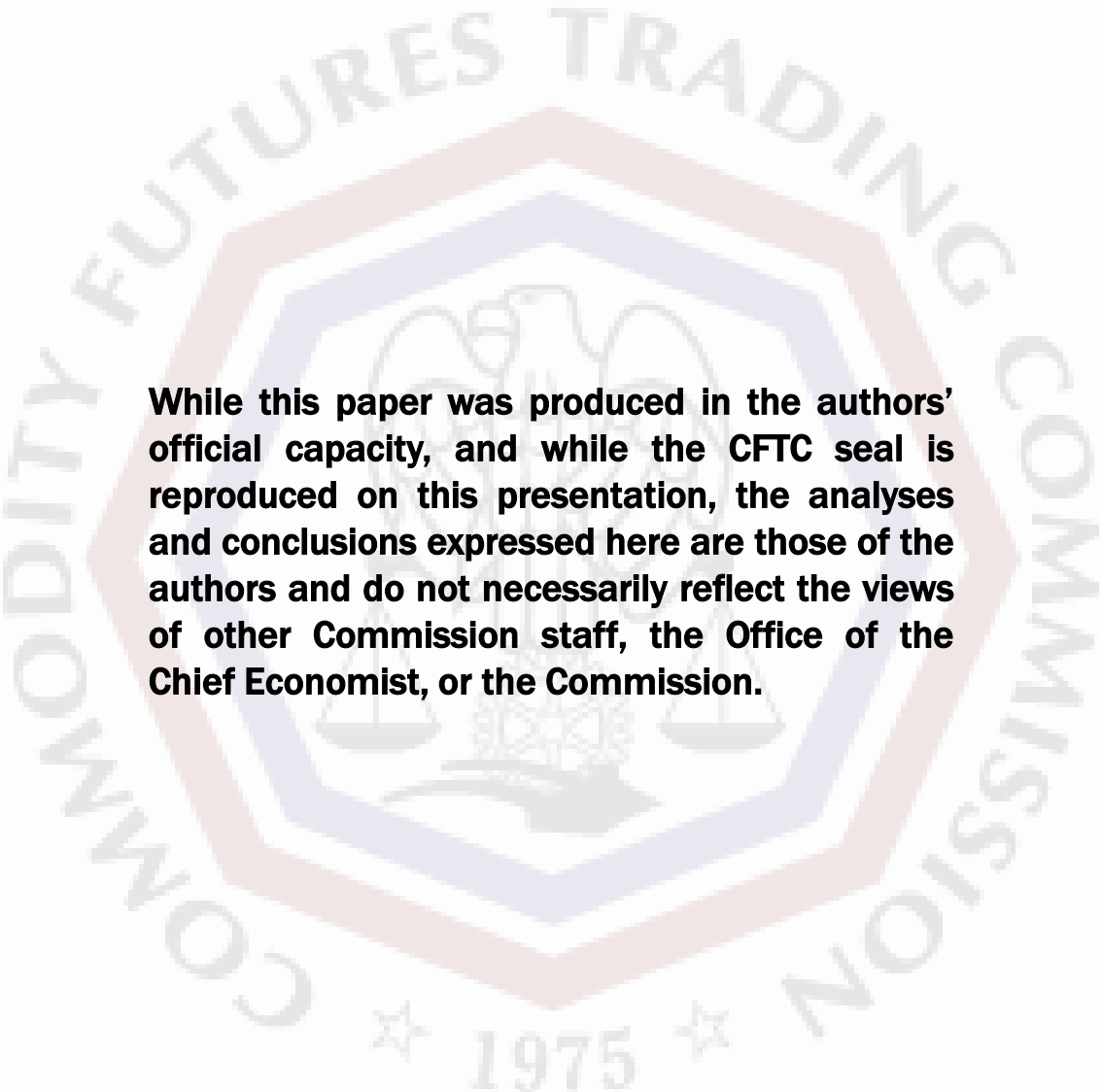




THE PHASES OF INITIAL MARGIN

APRIL 2019



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DISCLAIMER

BACKGROUND

- Initial margin requirements are being phased in, based on the swap notional exposures of parent companies
- Five phases: first in Sep 2016, final in 2020
 - The final phase reduces notional threshold from \$750bn to \$8bn
- Market concern about the number, and diversity, of entities entering in Phase 5
- Multiple studies of Phase 5 have been done
 - ISDA, CFTC

FINDINGS

- Anticipated “Phase 5” entities significantly outnumber those in the other 4 phases
 - ~700 (~7,000 relationships) vs just over 40
 - Similar in magnitude to ISDA study findings
- Phase 5 entities concentrated around low end of threshold (especially non-financials)
- Proposed exclusions (e.g. physical FX trades) reduce number of covered entities, especially at low end of notional range

UNCLEARED SWAP DATA

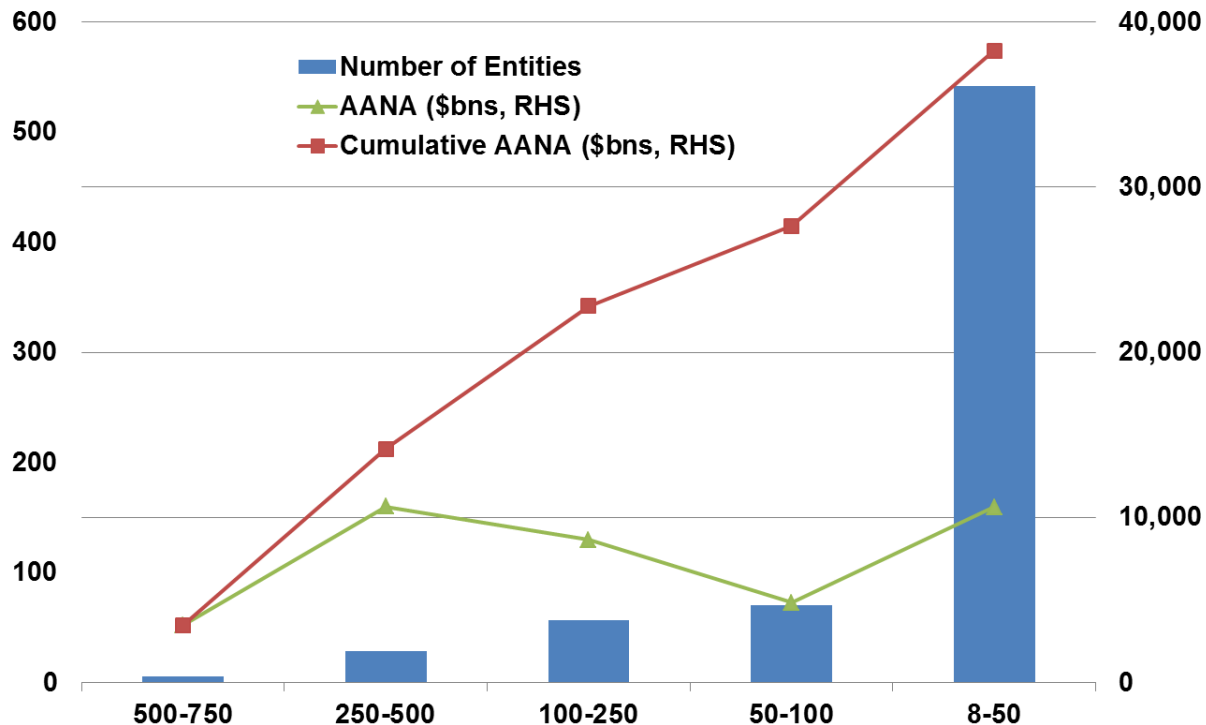
- The agency receives information on regulated swaps from SDRs
- Data provides information on:
 - Counterparties (LEIs)
 - Cleared Status
 - Notional Size
- White paper based on data released last October (Haynes, Lau, and Tuckman)
- Does not include margin data (unlike ISDA study); focuses on US reporting entities

ENTITY COVERAGE ACROSS PHASES

Phase(s)	Number of Entities	Total ANA (\$billions)	Average ANA per Entity (\$billions)
1 + 2 + 3	23	292,338	12,710
4	20	20,049	1,002
5	704	38,275	54

- The number of entities covered under Phase 5 significantly higher than other phases
- Average AANA in Phase 5 much closer to low end (\$8bn) rather than high end (\$750bn) of threshold

DETAILED PHASE 5 COVERAGE



- Most (75%) of the Phase 5 entities have less than \$50bn AANA
- This subset of entities comprises just 30% of cumulative AANA
- Around 60% have AANA < \$25bn, comprising 15% of cumulative AANA

PHASE 5 ENTITIES, BY SECTOR

	Hedge Funds	Banks	Asset Managers	Swap Dealers	Insurance	Pension Funds	Corporates	Gov't Sector	Unclassified
Number of Entities	163	158	153	20	48	54	65	14	29
Total ANA (\$bns)	10,412	9,180	6,598	4,045	3,985	1,445	1,226	840	544
Average ANA (\$bns)	64	58	43	202	83	27	19	60	19

- The largest participant categories in Phase 5 are financial institutions (e.g. hedge funds, swap dealers)
- Corporates are, on average, the smallest institutions – may be eligible for end-user exemption

PHASE 5 W/O PHYSICALLY-SETTLED FX PRODUCTS

<i>ANA Includes all Swaps</i>		
Phase 5 in-scope entities (ANA between \$8 and \$750 billion)		704
Average ANA		\$54 billion
<i>ANA Excludes Physically-Settled FX Swaps</i>		
Phase 5 entities remaining in scope		501
Average ANA (all swaps)		\$69 billion
Phase 5 entities falling out of scope		203
Average ANA (all swaps)		\$19 billion

COUNTERPARTY RELATIONSHIP OVERVIEW

# Counterparty Relationships	Including Corporates	Excluding Corporates
All FX trades in AANA	6,957	6,333
Excluding physically-settled FX swaps	4,918	4,509

- Under current rules, almost 7k entity pairs (LEI-LEI) would be caught in Phase 5
- With a physical FX exemption, as well as excluding all corporate entities, this count falls to ~4,500