A Knowledge Base Mapping
Cross-Border Margin Requirements

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Background to the Regulatory Landscape

• Use case in the field of Financial Regulation
• EU Companies face wave of regulation following Financial Crisis 2007
• Many elements to regulatory reform
• Global initiatives impact cross-border business
• G20 Pittsburgh 2009 – Goal to reduce Counterparty and Systemic Risk
Focus on Derivatives

• Key area of risk is over-the-counter (“OTC”) derivatives
  • Total outstanding OTC notional US$483 trillion at 31 December 2016

• “All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements”

2. G20 Summit Pittsburgh 2009 - Statement
How were the G20 Goals Implemented?

- In Europe - EMIR (European Market Infrastructure Regulation)
- Globally - Dodd Frank / Global Equivalents
- Central Clearing for commoditised OTCs
- Risk mitigation measures for non-centrally cleared OTCs
  - Exchange of Collateral, Confirmation, Reconciliation, Capital Requirements etc
- Reporting to Repositories
- Binding on financial and non-financial entities
What are the Issues for EU Entities

• Which rules apply to a cross-border counterparty relationship?
• Which Rules Govern (equivalence, “strictest of”)?
• Scope of Application (VM/IM, party status, AANA/JAAN, Groups)?
• Is documentation compliant (Thresholds, Minimum Transfers, Eligible Collateral, timing, segregation)?
• What amount of margin is required (based on various factors, “Haircuts”)?
• What margin is eligible?
• How to fulfil/validate reporting?
• Optimisation (Margin, Netting, Regulatory)
Lynx a Possible Solution

• Position for SMEs is complex and uncertain
• Centralised Mapping of cross-border Rules (and entity data)
• Cut through complexity (queriable knowledgebase, impact analysis)
• Facilitates Optimisation (margin, netting, regulatory, balance sheet)
• Informs compliance process (maps instance data to rules)
• Reduces impact of regulatory update cycle (updating is centralised)
• Reduces cost
• Removes hurdles to entry
Collateral Benefits

• Supports an ecosystem of service providers
• Supports development of new functionality (optimisation, real time)
• Compliments Blockchain and similar developments
• Greater conformity supports interoperability and objectives for Capital Markets and Banking Union
Looking to the Future

• Strong APIs for interoperability
• Sustainable support structure
• Industry collaboration for common utility
Thank you.

• Any questions?