



Cross-product Netting Under the US Regulatory Capital Framework

EXECUTIVE SUMMARY

The International Swaps and Derivatives Association, Inc. (ISDA), FIA and the Securities Industry and Financial Markets Association (SIFMA) are publishing this discussion paper to: (i) provide an overview of cross-margining programs developed by clearing organizations and their importance in the context of implementing recent market reforms with respect to US Treasury securities clearing; (ii) describe cross-product netting arrangements with customers as a means to effectively reduce risk and their relation to cross-margining programs; (iii) describe the treatment of cross-product netting arrangements under the current US regulatory capital framework; and (iv) propose potential targeted changes to US regulatory capital rules to more appropriately reflect the economics of, and facilitate firms' use of, cross-product netting arrangements with customers, particularly with respect to transactions based on US Treasury securities.

It will be critical for the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) to consider revisions to the US regulatory capital framework that recognize the risk-reducing effects of cross-margining programs.

INTRODUCTION

The three associations and their members strongly support a regulatory capital framework that promotes the safety and soundness of banks and the efficiency of capital markets. Banks¹ play a critical role in providing liquidity in important markets, including serving as primary dealers in the US Treasury market, as well as providing access to central clearing of derivatives and repurchase (repo) transactions for customers to manage risk, generate revenue and access financing to grow their businesses.

Banks play an essential role in the \$29 trillion US Treasury market by acting as primary dealers that participate in auctions of new US Treasury issuances, serving as trading counterparties to the Federal Reserve Bank of New York and acting as secondary market intermediaries with banks and non-banks. These market intermediation activities include providing access to cleared US Treasury markets by acting as agents for clients, including via direct membership at the Government Securities Division of the Fixed Income Clearing Corporation (FICC).

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Banks will need to enhance and expand these market intermediation activities to address the increased scope of US Treasury repo and cash transactions that will be required to be cleared following a rule issued by the US Securities and Exchange Commission (SEC)². The SEC Treasury clearing final rule will have significant effects on the operation and structure of the US Treasury market and related financing markets – in particular, through increasing the scope and volume of US Treasury repo and cash transactions subject to mandatory clearing. In addition, the US Treasury futures market is instrumental to the efficiency and liquidity of US Treasury markets generally. Implementing the SEC Treasury clearing final rule successfully will require the US Treasury futures and US Treasury repo and cash markets to operate together in an efficient manner.

The associations have significant concerns that regulatory capital requirements – including the proposed 2023 revisions to substantially revise the US regulatory capital framework applicable to large banks³ – and other aspects of the bank regulatory prudential framework will constrain bank involvement in performing critical intermediation functions in cleared markets, contrary to the aims of US market regulators. This would have broader implications for the liquidity of these markets.

¹ The term 'banks' refers to US bank holding companies, US intermediate holding companies of foreign banking organizations, insured depository institutions and other entities subject to the US bank regulatory capital rules

² See Securities and Exchange Commission (SEC), *Standards for Covered Clearing Agencies for US Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to US Treasury Securities*, 89 Fed. Reg. 2,714 (January 16, 2024), www.govinfo.gov/content/pkg/FR-2024-01-16/pdf/2023-27860.pdf

³ Federal Deposit Insurance Corporation, Federal Reserve, Office of the Comptroller of the Currency, *Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity*, 88 Fed. Reg. 64,028 (September 18, 2023) (Basel III endgame proposal); Federal Reserve, *Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)*, 88 Fed. Reg. 60,385 (September 1, 2023) (G-SIB surcharge proposal)

In particular, the current regulatory capital framework does not fully recognize the risk-reducing benefits and related efficiencies of cross-product netting agreements, which broadly permit repo and futures transactions to be closed out on a net basis and are expected to be more important given the expanded scope of US Treasury clearing requirements. While netting arrangements may be permitted when a bank is using the internal models methodology (IMM), subject to regulatory approval, cross-product netting is not recognized under the standardized approach, which is used by most large banks. Moreover, the 2023 Basel III endgame proposal would remove the IMM from the bank capital framework. As a result, any recognition of the risk-reducing benefits and related efficiencies of cross-product netting agreements would be eliminated.

The US regulatory capital framework should appropriately reflect the risk sensitivity and associated benefits of cross-product netting arrangements for US Treasury markets by the time market participants will be required to comply with the US Treasury mandatory clearing requirements, which is June 30, 2027 for eligible secondary market repos⁴. A lack of recognition of cross-product netting arrangements under the US regulatory capital rules could lead to further divergences between regulatory capital treatment and the economics of these arrangements.

OVERVIEW OF CROSS-MARGINING PROGRAMS

In broad terms, under cross-margining programs, market participants are permitted to post initial margin to clearing organizations based on the aggregate reduced net risk of a portfolio containing multiple products, including related repo and cash securities transactions, options transactions and futures contracts⁵. Notably, the clearing member's aggregate initial margin requirement on a portfolio of eligible cleared trades may be reduced to the extent there are positions with offsetting risks, as determined under the applicable methodologies of the relevant clearing organizations⁶.

Cross-margining programs have been in place in the US for decades. The US Commodity Futures Trading Commission (CFTC) and the SEC first approved a cross-margining program for Treasury securities transactions and Treasury futures offered by CME Group and FICC in 2004. Programs for securities options cleared by the Options Clearing Corporation and related futures offered by CME Group have also been in place for decades⁷.

Cross-margining arrangements implemented by clearing organizations will be important to achieve margin and related funding efficiencies in US Treasury markets. Although the CME Group-FICC cross-margining arrangement only currently covers a bank's proprietary positions, there is significant interest among market participants and regulators for expanding the scope of this arrangement to cover customer positions in light of the SEC Treasury clearing final rule and the associated increase in US Treasury security transactions that will become subject to mandatory clearing requirements⁸. Other clearing organizations currently offer – or have indicated an intent to offer – additional cross-margining programs⁹.

⁴ SEC Treasury clearing final rule, page 2,770

⁵ Commodity Futures Trading Commission (CFTC), *Futures Glossary*, www.cftc.gov/LearnAndProtect/AdvisoriesAndArticles/CFTCGlossary/index.htm#C

⁶ A clearing organization may also introduce a floor with respect to minimum initial margin requirements as a matter of conservatism

⁷ Options Clearing Corporation, *Cross Margin Programs*, www.theocc.com/risk-management/cross-margin-programs

⁸ Any expansion of the CME Group-FICC cross-margining arrangement will require CFTC and SEC approval

⁹ For example, ICE has publicly announced that it intends to launch a clearing service for US Treasuries and repos, *ICE to Launch Treasury Clearing Service to Increase Transparency and Enhance Resilience in the US Treasury Market* (June 24, 2024), <https://ir.theice.com/press/news-details/2024/ICE-to-Launch-Treasury-Clearing-Service-to-Increase-Transparency-and-Enhance-Resilience-in-the-U.S.-Treasury-Market/default.aspx>. Eurex also currently offers cross-margining with respect to certain interest rate derivatives and fixed income products. Eurex, *Cross-product margining*, www.eurex.com/ec-en/services/margining/cross-margining

In the context of the SEC Treasury clearing rule, market participants have highlighted the importance of cross-margining programs as a complement to the expanding scope of cleared US Treasury transactions¹⁰. In the SEC Treasury clearing final rule, the SEC stated it “historically has supported and approved cross-margining at clearing agencies and recognized the potential benefits of cross-margining systems, which include freeing capital through reduced margin requirements, reducing clearing costs by integrating clearing functions, reducing clearing agency risk by centralizing asset management, and harmonizing liquidation procedures”¹¹.

Under the CME Group-FICC cross-margining arrangement, a clearing member of both CME Group and FICC that clears eligible products may be able to reduce its aggregate initial margin requirements in respect of a portfolio of eligible products

The SEC has also noted that cross-margining programs “enhance member liquidity and systemic liquidity both in times of normal trading and in times of market stress by reducing margin requirements for members, which could prove crucial in maintaining member liquidity during periods of market volatility, and enhancing market liquidity as a whole”¹².

As a reflection of the importance of these arrangements, a subcommittee of the CFTC’s Global Markets Advisory Committee (GMAC) recommended to expand cross-margining programs for US Treasury securities in light of the SEC Treasury clearing final rule – in particular, to cover customer positions with respect to the existing cross-margining arrangement between FICC (currently the only SEC-registered clearing agency for US Treasury repo and cash transactions) and CME Group, the primary exchange for US Treasury futures products¹³. This expansion of the CME Group-FICC cross-margining arrangement would be subject to CFTC and SEC approval¹⁴.

Under the CME Group-FICC cross-margining arrangement, a clearing member of both CME Group and FICC that clears eligible products may be able to reduce its aggregate initial margin requirements in respect of a portfolio of eligible products – specifically, US Treasury repo positions cleared on FICC and US Treasury futures contracts cleared by CME Group. In general, CME and FICC each calculate the amount of initial margin required from the market participant to that clearing organization based on the aggregate portfolio of eligible products. If the portfolio in aggregate contains risk-offsetting positions, this amount of initial margin may be less than the amount of initial margin the market participant would otherwise have been required to post without cross-margining.

¹⁰ SEC Treasury clearing rule, pages 2,750-51

¹¹ SEC Treasury clearing rule, page 2,751

¹² 2023 SEC approval for CME Group-Fixed Income Clearing Corporation (FICC), page 10. See also SEC, *Release No. 34-98327, Self-Regulatory Organizations; The Fixed Income Clearing Corporation; Order Granting Approval of Proposed Rule Change to Amend and Restate the Cross-Margining Agreement between FICC and CME* (September 8, 2023), page 9, www.sec.gov/files/rules/sro/ficc/2023/34-98327.pdf. (“The [SEC] has historically supported and approved cross-margining at clearing agencies and has recognized the potential benefits of cross-margining systems... The [SEC] has encouraged cross-margining arrangements as a way to promote more efficient risk management across product classes.”) (citations omitted)

¹³ CFTC, Release Number 8860-24, *CFTC Global Markets Advisory Committee Advances Key Recommendations* (February 8, 2024), www.cftc.gov/PressRoom/PressReleases/8860-24. The proposed recommendation from the Global Markets Advisory Committee with respect to the CME Group-FICC cross-margining arrangement, the structure of which is subject to further consideration by market participants and other stakeholders, is available at www.cftc.gov/media/9591/gmac_FICC_CME110623/download

¹⁴ Additionally, under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Reserve has additional authority over CME Group and FICC on the basis that they have been designated as systemically important financial market utilities

CROSS-PRODUCT NETTING ARRANGEMENTS

Cross-product netting broadly refers to the authority of counterparties to settle and terminate positions on a net basis across multiple types of financial transactions, including derivatives (eg, futures and swaps), margin loans and repo transactions. Cross-product netting – which does not depend on the presence of any cross-margining arrangement implemented by a clearing organization – reduces a bank’s counterparty credit risk in comparison to an arrangement under which a bank is required to settle and terminate these positions separately.

Banks currently have cross-product netting arrangements with customers that generally allow the bank and its customer to settle transactions on a net basis. A bank using these arrangements with customers would conduct legal analysis determining its rights to terminate and close out the customer’s positions and calculate a net amount owed to or from the customer under the combined portfolio in the event of a customer default (including as a result of the customer entering into insolvency proceedings).

For example, a bank may have repo exposures with a customer under one netting agreement and clear futures transactions for the customer under a separate netting agreement. These netting agreements, each of which would constitute a qualifying master netting agreement under the US regulatory capital framework, may be linked contractually to a qualifying cross-product master netting agreement that, among other things, includes provisions addressing the bank’s rights in a customer default scenario.

In particular, these provisions may permit the bank to terminate the repos and close out the customer’s open futures positions and determine a net amount owed to or from the customer with respect to the netting agreements in aggregate. The bank would obtain legal opinions addressing the enforceability of its rights to terminate and close out these positions and calculate a single net amount in a customer default, including as a result of the customer entering into insolvency proceedings¹⁵. This arrangement would be considered a qualifying cross-product master netting agreement under the current US regulatory capital framework.

The SEC Treasury clearing final rule, when implemented, will significantly increase the volume of US Treasury securities transactions that will be subject to mandatory clearing. A bank facilitating customer access to clearing services for US Treasury securities and repos may, accordingly, seek to use cross-product netting agreements with customers to which the bank intends to provide clearing services for US Treasury securities and other products, such as futures, swaps and repos.

¹⁵ ISDA also has published standard-form documentation under which market participants may execute transactions covering multiple products under a single netting arrangement using an ISDA Master Agreement in conjunction with the 2022 ISDA Securities Financing Transactions Definitions and related documentation. ISDA, *The 2022 ISDA Securities Financing Transactions Definitions: Current and Future Use Cases* (September 2022), www.isda.org/a/JX3gE/The-2022-ISDA-Securities-Financing-Transactions-Definitions-Current-and-Future-Use-Cases.pdf. ISDA also has commissioned legal opinions addressing the enforceability of these arrangements, including in the event of insolvency proceedings under the Bankruptcy Code, the Federal Deposit Insurance Act, the New York Banking Law and the Orderly Liquidation Authority framework.

CROSS-PRODUCT NETTING UNDER CURRENT REGULATORY CAPITAL RULES AND THE BASEL III ENDGAME

The SEC Treasury clearing final rule will expand the volume of US Treasury repo transactions subject to mandatory clearing requirements. It is expected that banks will use existing cross-product netting agreements – or will implement new cross-product netting arrangements – with customers that are seeking access to US Treasury clearing and clearing services for derivatives (in particular, futures transactions). Separately, cross-margining programs – notably, the CME Group-FICC cross-margining arrangement but also cross-margining programs developed by other clearing organizations – may be expanded to cover customer positions.

Risk-insensitive calibrations of US regulatory capital requirements that do not reflect the reduced risks of cross-product netting agreements would lead to a counterintuitive increased capital requirement as a result of cross-margin efficiencies

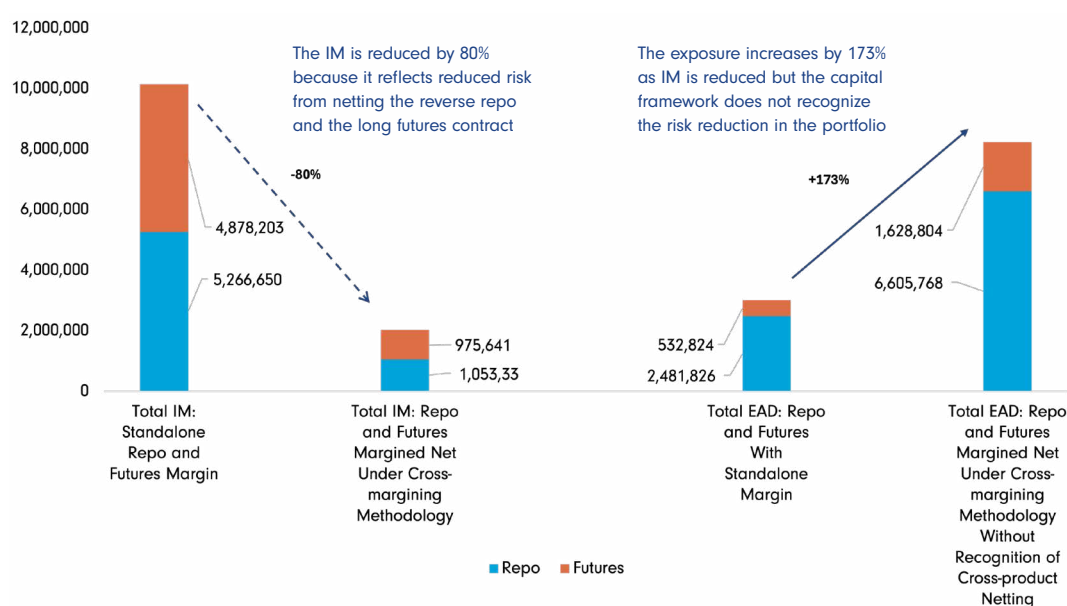
These developments generally would help facilitate the transition to increased central clearing of US Treasuries through improved margin efficiency and enhanced market liquidity.

However, risk-insensitive calibrations of US regulatory capital requirements that do not reflect the reduced risks of cross-product netting agreements would lead to a counterintuitive increased capital requirement as a result of cross-margin efficiencies. This punitive capital treatment could limit bank involvement in – or increase costs

with respect to – the transition to increased clearing of US Treasury repo securities and could have a negative effect on market liquidity and systemic risk.

Chart 1 illustrates the potential effects on US regulatory capital requirements of a portfolio of repos and US Treasury futures subject to cross-product margining without reflecting cross-product netting in the regulatory capital calculation.

Chart 1: Impact of a Portfolio of Repos and US Treasury Futures Subject to Cross-margining Without Reflecting Cross-product Netting (\$)



The associations and other stakeholders have addressed elsewhere the constraints on bank involvement in US Treasury markets and cleared markets more broadly as a result of US regulatory capital rules and related bank regulatory prudential requirements, including the potential effects on these businesses under the proposals¹⁶.

In these circumstances, a bank may either require the customer to post the full amount of margin – foregoing the benefits of cross-margining programs – or face a significant increase in capital requirements, which would reduce bank capacity to facilitate implementation of the SEC Treasury clearing final rule

These adverse effects would be exacerbated (or market liquidity otherwise would be reduced) if the US regulatory capital framework does not appropriately recognize the benefits of cross-product netting. Specifically, if cross-product netting arrangements with customers result in lower margin requirements for customers, including as a result of (but not exclusively due to) cross-margining arrangements implemented by clearing organizations, without the US regulatory capital rules appropriately recognizing the risk offsets that result in reduced margin, capital requirements would not be properly calibrated.

In these circumstances, a bank may either require the customer to post the full amount of margin – foregoing the benefits of cross-margining programs – or face a significant increase in capital requirements, which would reduce bank capacity to facilitate implementation of the SEC Treasury clearing final rule. Banks subject to the US regulatory capital rules may be disadvantaged relative to other banks because the Basel regulatory capital framework generally, and non-US regulatory capital frameworks in particular, broadly recognize the risk-reducing effects of cross-

product netting under the IMM (subject to regulatory approval).

The current US regulatory capital framework includes a concept of a qualifying cross-product master netting agreement for the advanced approaches. If an agreement satisfies the definition of a qualifying cross-product master netting agreement and related operational requirements, a bank subject to the advanced approaches may calculate its exposure at default for the portfolio on a net basis under the IMM if it has received supervisory approval. However, under the standardized approach, which is used by most large banks, the capital benefits of a cross-product netting agreement cannot be recognized. Furthermore, the Basel III endgame proposal, which the agencies proposed prior to the adoption of the SEC Treasury clearing final rule, would replace the advanced approaches with the expanded risk-based approach (ERBA). The ERBA eliminates the IMM and therefore removes recognition of a qualifying cross-product master netting agreement.

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¹⁶ In connection with the Basel III endgame proposal, see the comment letter from ISDA and the Securities Industry and Financial Markets Association (SIFMA), www.isda.org/a/1ElgE/ISDA-and-SIFMA-Response-to-US-BaseIII-NPR.pdf. In connection with the proposed changes to the surcharge for global systemically important banks (G-SIBs), see the comment letter from ISDA and SIFMA, www.isda.org/a/cElgE/ISDA-and-SIFMA-Response-to-G-SIB-Surcharge-Framework-Consultation.pdf. Additionally, ISDA submitted a letter to the agencies regarding targeted reforms to the supplementary leverage ratio, enhanced supplementary leverage ratio and G-SIB surcharge with respect to US Treasury markets. ISDA, *SLR Reform – U.S. Treasuries* (March 5, 2024), www.isda.org/a/h3sgE/ISDA-Submits-Letter-to-US-Agencies-on-SLR-Reform.pdf

PREFERRED APPROACH TO REVISE REGULATORY CAPITAL RULES TO ADDRESS CROSS-PRODUCT NETTING

One potential approach for recognizing cross-product netting agreements within the US regulatory capital framework is retaining the IMM, as currently set forth in the advanced approaches, for US Treasury cross-product portfolios¹⁷. Under Section 132(d)(1)(iii) of the US capital rules, a bank may use the IMM to calculate its exposure at default with respect to derivatives contracts, eligible margin loans and repo-style transactions subject to a qualifying cross-product netting agreement if it effectively integrates the risk-mitigating effects of cross-product netting into its risk management and other information technology systems, subject to prior written approval of the appropriate federal banking agency. The IMM would appropriately reflect the combined risk of portfolios subject to cross-product netting.

Permitting the use of the IMM for cross-product netting would not require significant revisions to the current US regulatory capital framework, as this approach would retain a pre-existing aspect of the framework. Under the ERBA proposed in the Basel III endgame proposal, however, the IMM would not be available¹⁸. The IMM is also not permitted when calculating total leverage exposure for the supplementary leverage ratio (SLR) and enhanced supplementary leverage ratio (eSLR) or determining capital requirements applicable to default fund contributions to a clearing organization, each of which is calculated using a standardized approach (the standardized approach for counterparty credit risk, or SA-CCR).

Furthermore, retaining the IMM solely for US Treasury cross-product netting portfolios could create operational complexity and have related cost considerations that limit the benefits of this approach.

Accordingly, the industry's preferred approach for revising the US regulatory capital framework to reflect cross-product netting is addressed in the next section.

¹⁷ Section 132(d)(1)(iii) of the US capital rules

¹⁸ By extension, the internal models methodology would no longer be a method that a bank is authorized to use to value securities financing transactions and derivatives transactions for regulatory capital purposes, as provided in the Federal Reserve's Regulation YY. 12 C.F.R. §§ 252.73(a)(4), 252.73(a)(7), 252.173(a)(4), 252.173(a)(7)

PREFERRED APPROACH: EXTEND SA-CCR TO INCLUDE REPOS

This potential approach broadly involves treating repos on US Treasury securities as forward-settling interest rate derivatives and determining the exposure at default of a portfolio of repos and derivatives contracts subject to a cross-product margining agreement under SA-CCR. This approach would use a pre-existing methodology in the US regulatory capital framework to recognize the risk-mitigation benefits of cross-product netting.

In general terms, the exposure amount of a netting set under SA-CCR is a function of the replacement cost and the potential future exposure of the transactions within the netting set¹⁹. When the counterparty is not a commercial end user, the exposure amount is multiplied by an alpha factor of 1.4²⁰.

Under this approach, a repo subject to a cross-product netting agreement would be treated as a forward purchase of an interest rate derivative and a reverse repurchase agreement would be treated as a forward sale of an interest rate derivative. In general, the US Treasury securities underlying the repos subject to a cross-product netting agreement would be reflected as collateral for the purpose of calculating the replacement cost – where posted and received collateral would be reflected in the variation margin amount and net independent collateral amount terms – and potential future exposure of the netting set that is subject to a cross-product netting agreement.

Under this approach, the volatility of the securities underlying the repos would be reflected in the potential future exposure calculation by applying the relevant supervisory factor²¹, so haircuts otherwise would not apply with respect to the funding or instrument leg of the repo in the SA-CCR calculation. Table 1 addresses the treatment of a reverse repo and a repo as a forward derivative.

Table 1: Treatment of a Reverse Repo and Repo as a Forward Derivative

Transaction	Representation	EAD Change Given Change in Market Variables	
		Scenario: Yield increase	Scenario: Yield decrease
Reverse Repo	Collateral haircut: Received collateral	Increase in exposure given collateral value decrease	Decrease in exposure given collateral value increase
	Derivative: Forward sale	Increase in exposure given value of the short increases	Decrease in exposure given value of the short sale decreases
Repo	Collateral haircut: Posted collateral	Decrease in exposure given collateral value decrease	Increase in exposure given collateral value increases
	Derivative: Forward purchase	Decrease in exposure given value of the long decreases	Increase in exposure given value of the long increases

The forward purchase and sale derivatives would be included as part of the interest rate hedging set and assigned to maturity buckets based on the maturity of the underlying US Treasury security. A hedging disallowance parameter could be included to reduce the recognition of netting between repos and derivatives. Any hedging disallowance parameter should be calibrated so the overall capital requirement is not significantly more prohibitive than the calculation under the IMM²².

¹⁹ Section 132(c)(5)(i)

²⁰ Sections 132(c)(5)(i) of the US capital rules. Under 132(c)(5)(iv) of the US capital rules, the exposure amount of a netting set in which the counterparty is a commercial end user is the sum of replacement cost and potential future exposure, such that the alpha factor for these netting sets is 1

²¹ Table 3 to Section 132 of the US capital rules

²² A bank should be permitted to separately calculate its repo exposure under the collateral haircut approach and its derivatives exposure under the standardized approach for counterparty credit risk (SA-CCR) to address unexpected results in the event that the expanded SA-CCR methodology would result in a higher exposure amount than if the repo and derivatives exposure is calculated separately

In implementing this approach, it will be important to permit banking organizations to elect to treat settled-to-market (STM) client-facing exposures on cleared transactions as collateralized to market (CTM). Otherwise, futures (STM) and repos (modelled as forward sales and purchases) may result in different sub-netting sets if the latter are deemed CTM, meaning no benefits of the cross-product netting agreement would be possible under SA-CCR²³.

With respect to the calculation of total leverage exposure for customer trades under the SLR and eSLR framework, the bank should be permitted to use the same methodology to determine the exposure for client-cleared transactions as would be applied for purposes of calculating its risk-weighted assets (RWAs), including expanding SA-CCR to cover repos. That would align with the current framework under the SLR, under which a bank calculates derivatives exposures for client-cleared transactions for the SLR consistent with the methodology used to calculate RWAs.

With respect to single-counterparty credit limits, a bank should be permitted to determine its credit exposure to a counterparty for which it has a qualifying cross-product netting agreement using this methodology, which, if implemented, would be a method the bank is 'authorized to use' to value securities financing transactions and derivatives transactions for regulatory capital purposes, as provided in the Federal Reserve's Regulation YY²⁴.

In principle, the calculation of capital requirements applicable to default fund contributions to a clearing organization could also potentially reflect this proposed methodology²⁵. However, additional analysis is needed, and the associations would welcome the opportunity to work with the agencies to develop an appropriate solution.

²³ Under SA-CCR, a bank may elect to treat all settled-to-market (STM) contracts within the same netting set that are cleared transactions as collateralized to market (CTM). In the ISDA/SIFMA Basel III endgame comment letter, ISDA and SIFMA recommended that this treatment be expanded so a bank may elect to treat STM client-facing exposures on cleared transactions as CTM to extend netting benefits to these transactions. ISDA/SIFMA Basel III endgame comment letter, page 121

²⁴ 12 C.F.R. §§ 252.73(a)(4), 252.73(a)(7), 252.173(a)(4), 252.173(a)(7)

²⁵ Section 133(d)(5) of the US capital rules

ABOUT ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 76 countries. These members comprise a broad range of 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, such as exchanges, intermediaries, clearing houses 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 website: www.isda.org. Follow us on [LinkedIn](#) and [YouTube](#).

ABOUT FIA

FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, DC. FIA's mission is to support open, transparent and competitive markets; protect and enhance the integrity of the financial

system; and, promote high standards of professional conduct. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries, as well as technology vendors, law firms and other professional service providers.

ABOUT SIFMA

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the US and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry

coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, DC, is the US regional member of the Global Financial Markets Association (GFMA).