

Margin  
Xchange™

Allen & Overy

IHS Markit™

SmartDX™

**MARGIN XCHANGE™**

# Legal Tech Solution Addresses Regulatory Challenge Faced by Derivatives Market

**Streamlining Initial Margin  
Legal Documentation**



Initial Margin (IM) regulations mean a vast number of repaperings for the whole community. A single derivatives relationship is usually subject to at least two legal regimes and requires numerous documents. Negotiating complex arrangements within those legal frameworks is expensive and time-consuming. It presents both an opportunity and a need to rethink the way the market agrees, records and uses documents.

Current document negotiation processes are frustratingly lengthy and require manual processes. Documentation is typically shared by email, providing the sender no control or visibility into progress. Amended drafts are returned, often with no explanation for the changes. The clock is ticking in a market where speed, control and accuracy are paramount.

### Creating Documents for Collaborative Negotiation

Margin Xchange™ covers all stages of the repapering of derivatives contracts required to comply with Initial Margin regulations and puts the entire process on a single online platform.

This solution addresses regulatory challenges more efficiently and cost effectively, and achieves the long-established goal of treating derivative documents as data, by using a document format that is human and machine readable. Margin Xchange™ accelerates all documentation processing for all market participants.

### Reducing Time and Costs Through Effective Negotiations

**Benefits:**

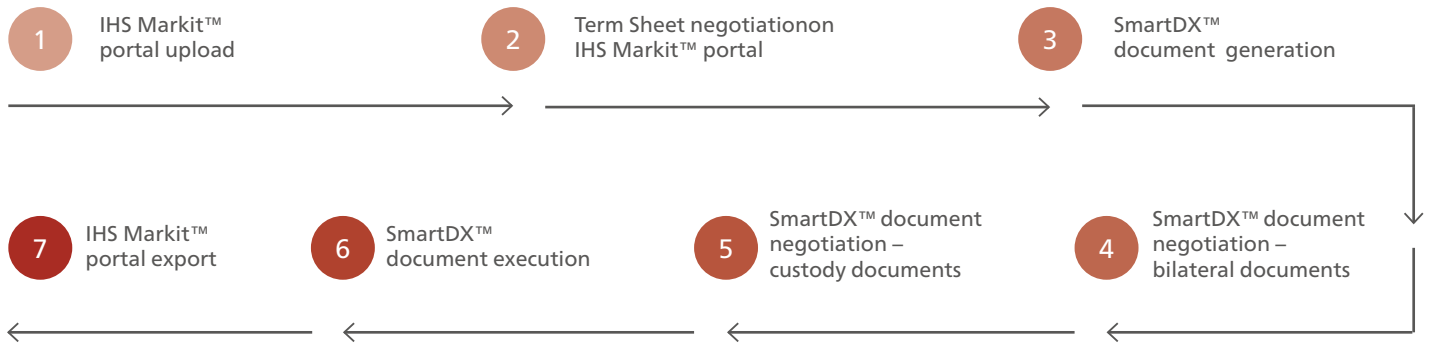
- Online Negotiation of Term Sheets and full initial margin documents
- Ensures that all required data variables have been completed
- Includes custodian documents and eligible collateral schedules
- Includes Standard fallbacks
- Ability to Customize for your template elections and fallbacks
- Deltaviews are automatically created and viewed online - shows changes from the previous version shared between the parties
- No need for email exchanges of interim draft documents
- Negotiators can post comments to Counterparty alongside drafting points to explain negotiation position – all stored as data for audit trail
- Option to allow execution by e-signature
- Machine-readable documents

### Margin Xchange™ Solution Features

Margin Xchange™ will transform IM negotiations and offer 8 key benefits to users:

- 1 Data reconciliation
- 2 Automated document generation
- 3 Bilateral and Custodian documents – including collateral
- 4 Online negotiation using your chosen resource model
- 5 Audit trails
- 6 Case management
- 7 Full data capture
- 8 Data export to your systems

## Margin Xchange™ Summarized in 7 Stages



### Stage 1

**Portal Upload:** The initiator bulk uploads full Counterparty data to IHS Markit™ and checks against existing data to confirm accuracy of LEIs. The initiator uploads to IHS Markit™ the standard or tailored Term Sheet offering. The Term Sheet can include as much or as little detail as initiator needs.

### Stage 2

**Term Sheet Negotiation:** Term Sheet is released to the receiver, who can comment and make amendments. The Term Sheet negotiation continues until there is agreement. The initiator can elect to proceed to full document set before the Term Sheet agreement is final.

### Stage 3

**Document Generation:** Term Sheet data payload is transferred to SmartDX™ and populates template documents. The initiator completes each document for the variables not covered by Term Sheet. Each document provides standard fallbacks for all variable provisions and free-text options. The initiator can elect to customize drafting fallbacks. Insertion and amendment to documents is reflected in blacklining to aid review.

### Stage 4

**Document Negotiation:** Bilateral document is published to the receiver for comment. Document elections and drafts of documents pass back and forth between initiator and Counterparty until agreed upon.

### Stage 5

**Custody Documents:** SmartDX™ document suite includes custodian documents and forms of eligible collateral schedule. Custodians will be invited to negotiate on Margin Xchange™ and take data feeds. Eligible Collateral Schedules (including regulatory compliance intelligence within standard asset formulations) will cover standard offerings for each custodian, including industry standard portfolios.

### Stage 6

**Document Execution:** When agreed, parties can generate execution documents in Word, PDF or Excel. When parties confirm documents in agreed upon form the document is locked down by SmartDX™ and data is exported back to IHS Markit™. Execution by electronic and wet signature is supported dependent on legal formalities.

### Stage 7

**Portal Data Export:** Document is sent to data storage and exported to clients based on client needs. Data for all variable points and ECS is captured and exported. Connectivity with downstream collateral management systems.

### Off-platform Negotiations

All benefits of data reconciliation, Term Sheet negotiation, document generation, internal escalation, sign-offs and data export are available regardless of whether the receiver elects to negotiate on the Margin Xchange™ platform.

## The Margin Xchange™ Solution

You've got to have a way to scale your negotiations and SmartDX™ is key to the Margin Xchange™ solution. You want your documents to be created digitally, shared digitally, and stored digitally.



### Online Negotiations

Central portal provides easy to use online negotiation.



### Scale

Manage all your negotiations regardless of your resourcing model, know where all your negotiations are at any point.



### Data

Machine readable documents means access to all the data locked within your documents. No need to re-key data into downstream systems, fully searchable and future proof documentation for your records

### About Allen & Overy

Allen & Overy is an international legal practice with approximately 5400 people, including some 550 partners, working in 44 offices worldwide. The cross border derivatives and structured finance industry demands a multi-jurisdictional approach and a drive to challenge the status quo where we can improve efficiency and reduce risk. Few firms can demonstrate the breadth of our client base, our unmatched position at the forefront of legal and regulatory change in the global derivatives and structured finance markets and our proven ability to create solutions for our clients. We combine our legal skills with effective and seamless use of technology and resourcing globally to close the gap between what law firms traditionally do and what our clients now require. The Derivatives and Structured Finance group at A&O has been at the forefront of the transformation of the derivatives and structured finance markets for decades. We have a track record in deploying legal technology to reduce the cost and risk, and drive up the efficiency, of documentation and systems in the derivatives industry.

### About IHS Market

IHS Markit is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

### About Smart Communications

Smart Communications™ is the only independent company focused 100% on customer conversations for the enterprise, and the only cloud solution ranked as a Leader in Gartner's Magic Quadrant for CCM. More than 350 global brands – many in the world's most highly regulated industries – rely on Smart Communications to make multi-channel customer communications more meaningful, while also helping them simplify their processes and operate more efficiently. This is what it means to scale the conversation. Smart Communications is headquartered in London and New York and serves its customers from offices located across North America, Europe, and Asia Pacific. The company offers a range of solutions including SmartCOMM™, SmartDX™, SmartCORR™ for Salesforce and SmartCaaS™ for Partners.

To learn more, visit [smartcommunications.com](http://smartcommunications.com).