

APPENDIX A
SPECTRUM OF COLLATERAL / MARGIN PAYMENTS

IASB/FASB Meeting 31 May-2 June 2011
Appendix A to Agenda paper 1B / FASB memo 14B

Legal Counterparty to Principal Trade	Transaction Type	Settlement mechanism	Payment type	Frequency	Details	Unwind	Netting Rights Absent an Event of Default	IFRS	US GAAP
							Description	Current Practice	Current Practice
Various	Daily margined Exchange Traded Derivatives (Futures) - Variation Margin constitutes legal settlement	Various						To the extent that variation margin has been paid the derivatives balance is considered settled (liability paid or asset monetised).	
Eurex (advance premium options)	Non-daily margined options - Premium and Initial Margin is paid upfront and no Variation Margin over life	Two separate processes: 1. Settlement 2. Initial Margin	Premium and Initial Margin (upfront) and settlement (at exercise)	Trade date and option exercise date	Net by currency Initial margin is settled separately	Repayment of Initial Margin (if made in cash) and final settlement are settled gross through separate processes	Premium paid upfront	Netting of cash settled European options (PV of options) where under Eurex clearing conditions: - By counterparty - By maturity date - By currency	Netting of derivatives where enforceable MNA is in place and associated cash collateral payables & receivables where enforceable CSA is in place: - By counterparty (either bilateral or CCP) - Across maturity dates - Across currencies
LCH	Various daily margined centrally cleared and exchange traded derivatives (where Variation Margin does not constitute settlement), e.g. interest rate swaps and options	Single process	Coupon, Variation & Initial Margin, and interest	Once daily	Net by currency LCH/CME may make intra-day calls for Initial Margin; settled separately	Repayment of margin and final settlement are settled net by currency through combined process	Net settlement of coupon and margin amounts, by currency, is explicit	Netting of derivatives [and associated cash collateral payables & receivables] where enforceable under LCH regulations: - By counterparty - By currency - Across maturity dates	
CME									
ICE Trust	Daily margined centrally cleared CDS contracts	Two separate processes: 1. Coupon 2. Margin & Interest	Coupon	Once daily	Net, by currency	Repayment of margin and final settlement of derivative are settled gross through separate processes	Net settlement of coupon amounts and, separately, margin amounts is implied	Netting of derivatives where enforceable under ICE rules: - By counterparty - By currency - By maturity date - By underlying credit	
			Variation & initial margin	Once daily	Net, by currency (with interest) ICE may make intra-day calls for Initial Margin; settled separately				
			Interest on variation margin	Monthly	Net, by currency (with Variation Margin and Initial Margin)				
ICE Clear		Two separate processes: 1. Coupon 2. Margin & Interest	Coupon	Once daily	Net, by currency		Net settlement of coupon amounts and, separately, margin amounts is implied		
			Variation & initial margin	Once daily	Net, by currency (with interest) ICE may make intra-day calls for Initial Margin; settled				
			Interest on variation margin	Monthly (coincides with daily margin when occurs)	Net, by currency (with Variation Margin and Initial Margin)				
Bilateral	All over the counter derivatives**	Three separate processes:** 1. Coupon 2. Margin 3. Interest on Margin	Coupon	Once daily	Net, by currency if payment netting applied (client election) Gross if payment netting NOT applied	Repayment of Initial Margin and Variation Margin and final settlement of derivative are settled gross through separate processes	Payment netting - net settlement by currency within single transaction- can be expanded to netting across multiple transactions if elected by the client	Netting of cash settled derivatives where enforceable MNA is in place & payment netting is elected under an enforceable MNA (which is rare outside the United States): - By counterparty - By currency - By payment date	
			Variation & Initial Margin (some have thresholds)	Once daily	Net				
			Interest on Variation Margin	Monthly	Net				

** the processes /descriptions here may vary by type of OTC contract.