Case Study – Initial Margin

Context

- Global regulators introduced rules requiring the posting of up-front collateral (Initial Margin, or "IM") on OTC derivatives trades.
- A **Tier 1 Investment Bank**, a major dealer in OTC derivatives, was now required to post or collect collateral for these transactions.

Issue

- The IM rule was introduced in multiple phases, with the threshold for inclusion based on size of client activity.
- Client activity had to be reviewed for assignment to phases, and then each client required outreach, document repapering, and implementation of collateral agreements.

Approach

- **Data Analysis:** Reviewed trading activity and client contracts to determine overall impact, and categorized clients into phases by size of exposure
- **Document Repapering:** Worked with legal teams to update trading documentation & collateral agreements, including tracking and reporting progress across the global business
- **Client Outreach:** Executed all phases of the outreach process, ensuring all clients were informed of changes, client issues were handled appropriately, and progress for each client was tracked and reported
- **Coordination:** Many areas within the bank were impacted or required consultation, including **Front Office, IT, Operations, Compliance, Finance,** and **Risk.** Vox staff managed the process of tracking & resolving issues & risks across the program.

Results

- **Reduced cost** versus using a traditional "Big Four" firm
- **On-time delivery** of Phases 1 through 4 of the overall Initial Margin program
- Phases 5 and 6 are **on track** and are benefiting from **process improvement** and **applied learning** from earlier deliveries