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Second consultation on margin requirements for non-centrally cleared derivatives

The European Supervisory Authorities (EBA, ESMA and EIOPA) launched on 10 June 2015 a second consultation on draft Regulatory Technical Standards (RTS) on risk-mitigation techniques for OTC derivative contracts not cleared by a CCP. These RTS outline the framework of the European Market Infrastructure Regulation (EMIR), which establishes provisions aimed at increasing the safety and transparency of the over-the-counter (OTC) derivatives markets in the EU.

This second consultation document is the result of an intense engagement with other authorities and the industry stakeholders in order to identify all the operation issues that may arise from the implementation of such framework.

The consultation runs until 10 July 2015.

For those over-the-counter (OTC) derivative transactions that will not be subject to central clearing, these draft RTS prescribe the regulatory amount of initial and variation margin that counterparties should exchange as well as the methodologies for their calculations. In addition, these draft RTS outline the criteria for the eligible collateral and establish the criteria to ensure that such collateral is sufficiently diversified and not subject to wrong-way risk.

Furthermore, following the amendments of the standards issued by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) in March 2015, these RTS include a revised phase-in for initial margin requirements and a new phase-in for variation margin. In order to allow a proportionate implementation, the RTS propose that the requirements will enter into force from 1st September 2016, giving counterparties subject to these requirements time to prepare for the implementation. The initial margin requirements would be phased-in over a period of four years and would only apply initially to the largest market participants. Similarly, but with a shorter timescale, the requirements for the implementation of variation margin would be binding for the major market participants from September 2016 and for all the other counterparties falling in the scope of these RTS by 1 March 2017.

Read more


Second consultation from EBA, ESMA and EIOPA on draft technical standards for
✚ the European Market Infrastructure Regulation (EMIR) (10 June 2015)

✚ Regulation (EU) No 648/2012 EMIR

First consultation from EBA, ESMA and EIOPA on draft technical standards for the
✚ European Market Infrastructure Regulation (EMIR) (14 April 2014)

BCBS and IOSCO Margin requirements for non-centrally cleared derivatives (March
✚ 2015)

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