Delay of Final Implementation of Swap Initial Margin Rules

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On July 23, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) published a revised framework for mandatory initial margin applicable to swaps that are not cleared with a central clearing party. The key revision was the insertion of an additional year into the implementation schedule for the margin rules. The schedule now has six annual phases instead of five, so full implementation of the rules will not occur until September 2021 instead of September 2020. The phase-in threshold was scheduled to drop to EURO 8 billion for 2020, thus bringing numerous new entities into scope form mandatory initial margin for swaps. The threshold for 2020 is now EURO 50 billion, with the EURO 8 billion threshold not applying until 2021.

As was the case with the original margin framework, this new schedule will only become effective after it has been adopted by the relevant G20 regulators for their respective jurisdictions. Accordingly, the Commodity Futures Trading Commission and the US prudential regulators will have to enact changes to their respective margin rules for uncleared swaps to implement the delay for US persons. The US versions of the revised rules will have US dollar thresholds.

The BCBC-IOSCO press release is available here.

A table showing the new compliance schedule is available here.

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