

# UK Regulators Publish Policy Statement on Margin Requirements for Non-Centrally Cleared Derivatives

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On 18 December 2023, the Financial Conduct Authority (**FCA**) and Prudential Regulation Authority (**PRA**) (together, the Regulators) published a joint policy statement (**Policy Statement**) on the UK's bilateral margin requirements for non-centrally cleared derivatives under the onshored European Market Infrastructure Regulation (**UK EMIR**). The Policy Statement contains the Regulators' final policy in the form of amendments to Binding Technical Standards (**BTS**) 2016/2251.

## Who the Policy Statement is for

The Policy Statement is relevant to:

- PRA-authorized banks, building societies and PRA-designated investment firms in scope of the margin requirements under UK EMIR; and
- all FCA solo-regulated entities and non-financial counterparties in scope of the margin requirements under UK EMIR.

## Policy Statement changes

Under UK EMIR, firms are required to exchange initial and variation margin on non-centrally cleared over-the-counter derivatives. Single-stock equity options and index options are currently exempted from these requirements until 4 January 2024. The Policy Statement sets out amendments to BTS 2016/2251 to extend the temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements until 4 January 2026. During the temporary exemption period, the Regulators will gather information on current market practices and risks posed by these types of products to create a permanent UK regime.

The Policy Statement also confirms that the Regulators will maintain the current framework regarding pre-approval of bilateral initial margin models. At this stage, the PRA will continue to use the existing framework to ensure models and practices meet requirements, while the FCA will continue to use existing supervisory powers to engage with firms on their models where necessary to ensure modelling requirements are met.

## Timeline

The amendments to the BTS 2016/2251 took effect on 18 December 2023, which was when the final technical standards instrument by the Regulators came into force.

The Policy Statement is available [here](#).

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