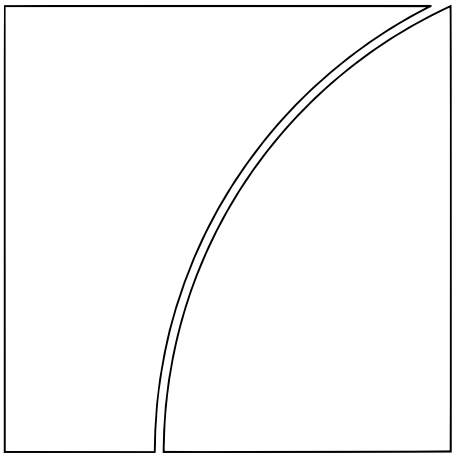
Basel Committee on Banking Supervision

MGN

Margin requirements

MGN90

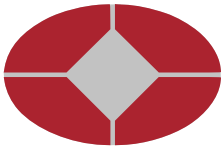
Transition



This chapter sets out the transitional arrangements that apply to the margin requirements.

Version effective as of 15 December 2019

First version in the format of the consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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Introduction

90.1

The requirements described in MGN should be phased in so that the systemic risk reductions and incentive benefits are appropriately balanced against the liquidity, operational and transition costs associated with implementing the requirements. In addition, the requirements should be regularly reviewed to evaluate their efficacy, soundness and relationship to other existing and related regulatory initiatives, and to ensure harmonisation across jurisdictions.

Transitional arrangements for initial margin

90.2

The requirement to exchange two-way initial margin with a threshold of up to €50 million will be staged as follows.

1. From 1 September 2018 to 31 August 2019, any covered entity belonging to a group whose aggregate month-end average notional amount of non-centrally cleared derivatives for March, April, and May of 2018 exceeds €1.5 trillion will be subject to the requirements when transacting with another covered entity (provided that it also meets that condition).
2. From 1 September 2019 to 31 August 2020, any covered entity belonging to a group whose aggregate month-end average notional amount of non-centrally cleared derivatives for March, April, and May of 2019 exceeds €0.75 trillion will be subject to the requirements when transacting with another covered entity (provided that it also meets that condition).
3. From 1 September 2020 to 31 August 2021, any covered entity belonging to a group whose aggregate month-end average notional amount of non-centrally cleared derivatives for March, April, and May of 2020 exceeds €50 billion will be subject to the requirements when transacting with another covered entity (provided that it also meets that condition).
4. On a permanent basis (ie from 1 September 2021), any covered entity belonging to a group whose aggregate month-end average notional amount of non-centrally cleared derivatives for March, April, and May of the year exceeds €8 billion will be subject to the requirements described in this paper during the one-year period from 1 September of that year to 31 August of the following year when transacting with another covered entity (provided that it also meets that condition). Any covered entity belonging to a group whose aggregate month-end average notional amount of non-centrally cleared derivatives for March, April, and May of the year is less than €8 billion will not be subject to the initial margin requirements described in MGN.

90.3

For the purposes of calculating the group aggregate month-end average notional amount for determining whether a covered entity will be subject to the initial margin requirements described in this paper, all of the group’s non-centrally cleared derivatives, including physically settled foreign exchange forwards and swaps, should be included.

90.4

Initial margin requirements will apply to all new contracts entered into during the periods described above. Applying the initial margin requirements to existing derivatives contracts is

not required.[1]

1 Footnote

1 *Genuine amendments to existing derivatives contracts do not qualify as a new derivatives contract. Any amendment that is intended to extend an existing derivatives contract for the purpose of avoiding margin requirements will be considered a new derivatives contract.*

90.5

Global regulators will work together to ensure that there is sufficient transparency regarding which entities are and are not subject to the initial margin requirements during the phase-in period.

Transitional arrangements for variation margin

90.6

From 1 September 2016, any covered entity belonging to a group whose aggregate month-end average notional amount of non-centrally cleared derivatives from March, April and May 2016 exceeds €3.0 trillion will be required to exchange variation margin when transacting with another covered entity (provided that it also meets that condition). The requirements to exchange variation margin between these covered entities only applies to new contracts entered into after 1 September 2016. Exchange of variation margin on other contracts is subject to bilateral agreement.

90.7

From 1 March 2017, all covered entities will be required to exchange initial margin. Subject to MGN90.6, the requirement to exchange variation margin between covered entities only applies to new contracts entered into after 1 March 2017. Exchange of variation margin on other contracts is subject to bilateral agreement.