Press release

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Basel Committee and IOSCO issue near-final proposal on margin requirements for non-centrally cleared derivatives

The Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO) have today published a second consultative paper which represents a *near-final proposal on margin requirements for non-centrally cleared derivatives*. The paper is available on the websites of the Bank for International Settlements and IOSCO.

Several features of the near-final proposal are intended to manage the liquidity impact of the margin requirements on financial market participants. The proposed requirements would allow for the introduction of a universal initial margin threshold of €50 million. The results of a quantitative impact study (QIS) conducted in 2012 indicate that application of the threshold could reduce the total liquidity costs by 56% relative to a margining framework with a zero initial margin threshold, which was initially proposed in the July 2012 consultative paper on margin requirements for non-centrally cleared derivatives.

The proposal published today also envisages a gradual phase-in to provide market participants with sufficient time to adjust to the requirements. The requirement to collect and post initial margin on non-centrally cleared trades is proposed to be phased in over a four year period beginning 2015 and begin with the largest, most active and most systemically risky derivative market participants.

The proposal takes account of the 2012 QIS results, which was conducted to quantify the liquidity costs associated with margin requirements for non-centrally cleared derivatives, as well as comments received in connection with the first consultative paper. Publicly available comments on the July 2012 proposal are available at the websites of the Bank for International Settlements and IOSCO. A public summary of the QIS results is included in Appendix C of the second consultative paper published today.

These policy proposals are articulated through a set of key principles that primarily seek to ensure that appropriate margining practices will be established for all non-centrally cleared over-the-counter (OTC) derivative transactions. These principles will apply to all transactions that involve either financial firms or systemically important non-financial entities.

The Basel Committee and IOSCO seek public comment on the near-final proposal and specifically solicit feedback on the following four issues relating to:

1. the treatment of physically-settled foreign exchange (FX) forwards and swaps under the framework,

2. the ability to engage in limited re-hypothecation of collected initial margin,

3. the proposed phase-in framework, and

4. the adequacy of the conducted quantitative impact study (QIS).

Responses to the consultative document published today will be considered in formulating the final joint proposal on margin requirements on non-centrally cleared derivatives.

Comments on these four issues which are discussed in greater detail in today's consultative paper should be submitted by **Friday 15 March 2013** by e-mail to: baselcommittee@bis.org and/or wgmr@iosco.org. Alternatively, comments may be sent by post to the Secretariat of the Basel Committee on Banking Supervision, Bank for International Settlements, CH-4002 Basel, Switzerland; or to the Secretariat of IOSCO at Oquendo 12, 28006 Madrid, Spain. All comments may be published on the websites of the Bank for International Settlements and IOSCO unless a comment contributor specifically requests confidential treatment.