

Press release

26 October 2021

Call for comments on margining practices during the March 2020 market turmoil

- Global standard setters invite comments on a consultative report on margin practices and potential further policy work.
- The report presents a data-driven analysis examining margin calls in March and April 2020 and the extent to which market participants were prepared to meet them.
- There was a broad and rapid increase in margin calls across the financial system in March 2020, with an overall increase in centrally cleared initial margin, while non-centrally cleared initial margin remained relatively stable.

The Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) (the standard setters) today invited comments on their joint consultative report [*Review of margining practices*](#).

The report – which is part of the Financial Stability Board’s work programme to enhance the resilience of the non-bank financial intermediation sector – looks at margin calls in March and April 2020, margin practice transparency, predictability and volatility across various jurisdictions and markets, as well as market participants’ liquidity management preparedness.

Based on surveys of central counterparties (CCPs), clearing members and broker-dealers, clients (ie entities that participate in these markets through an intermediary) and regulatory authorities, and other data analysis, the report finds that:

- Variation margin calls in both centrally and non-centrally cleared markets in March were large, and significantly higher than in February 2020. The peak CCP variation margin call was \$140 billion on 9 March 2020.
 - Initial margin requirements for centrally cleared markets increased by roughly \$300 billion over March 2020, and varied substantially across, and within, asset classes.
 - Initial margin requirements on non-centrally cleared derivatives remained relatively stable during the stress period.
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On the back of that analysis, the consultative report identifies six potential areas for further policy work:

- Increasing transparency in centrally cleared markets.
- Enhancing liquidity preparedness of market participants as well as liquidity disclosures.
- Identifying data gaps in regulatory reporting.
- Streamlining variation margin processes in centrally and non-centrally cleared markets.
- Evaluating the responsiveness of centrally cleared initial margin models to market stresses, with a focus on impacts and implications for CCP resources and the wider financial system.
- Evaluating the responsiveness of non-centrally cleared initial margin models to market stresses.

The standard setters invite feedback on this consultative report by 12 January 2022. Responses should be sent via email to the BCBS Secretariat (baselcommittee@bis.org), the CPMI Secretariat (cpmi@bis.org) and the IOSCO Secretariat (consultation-04-2021@iosco.org). Responses will be published on the websites of the BCBS, CPMI and IOSCO unless respondents expressly request otherwise. Commercial or other sensitive information should not be included in the submissions, or may be included, with redactions for publication clearly noted.

The standard setters will hold outreach events to discuss the findings of the report and potential areas of further work with industry. Following the consultation period a final report will be produced.

Notes to editors:

Margin is collateral and funds that are collected to protect against future or current risk exposures resulting from market price changes or in the event of a counterparty default.