Alert

Uncleared Margin Rules: BCBS and IOSCO Grant One-Year Extension on Phase 5/6 Implementation

April 3, 2020

On April 3, 2020, the Basel Committee on Banking Supervision ("BCBS") and the International Organization of Securities Commissions ("IOSCO") agreed to a one-year extension of the deadline for completion of the final two margin requirement implementation phases for non-centrally cleared derivatives. The BCBS and IOSCO noted that, in light of challenges posed by the COVID-19 pandemic, including displacement of staff and the need for firms to focus recourses on managing current market volatility risk, the extension will provide additional operational capacity to firms while also facilitating covered entities in acting diligently to comply with the revised deadline requirements.

Under the revised deadlines, covered entities with an aggregate average notional amount ("AANA") of non-centrally cleared derivatives over $50 billion will become subject to the requirements on Sept. 1, 2021, while covered entities with an AANA of non-centrally cleared derivatives at or below $50 billion (but over $8 billion, which is the minimum threshold) will become subject to the requirements on Sept. 1, 2022. These changes are reflected in a revised version of the margin requirements (available here). The BSBC and IOSCO have noted that no other substantive changes are featured therein.

Parties should note that the BCBS-IOSCO framework is not binding law, but the assumption is that U.S. regulators that adopted margin requirements based on the framework will also follow this change.

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If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

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