

ALERTS

CFTC Update: Limited Relief on Uncleared Margin Requirements

March 19, 2020

On March 18, 2020, the Commodity Futures Trading Commission voted to adopt a final rule granting a one-year extension for swap margin compliance by financial entities with smaller swaps portfolios. The compliance schedule deadline for posting and collection of initial margin by covered swap entities under “Phase 5” of the compliance schedule had been Sept. 1, 2020 (i.e., for swap market participants with between \$8 billion global and \$750 billion global of swap notional amounts).

In the new rule, the CFTC created a new Phase 6 for entities with the smallest uncleared swap portfolios (i.e., financial end users that have average daily aggregate notional amounts of less than \$50 billion global). The new deadline for Phase 6 will be Sept. 1, 2021 (the Sept. 1, 2020 deadline will remain in place for any Phase 5 entities not covered by the new rule).

Private fund managers and other parties to swap agreements eligible for Phase 6 compliance should note that:

- The extension in the final rule only applies to initial margin requirements, and only covers estimated potential futures exposures; and
- The final rule does not change current variation margin requirements.

Commissioners noted that providing more time to these smaller swap users will help these market participants in maintaining their hedging capabilities while they negotiate necessary margining agreements.

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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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