FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-65-2019
October 28, 2019

Proposed Rule to Amend Swap Margin Requirements

Summary: The FDIC, along with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve, the Farm Credit Administration, and the Federal Housing Finance Agency (collectively, the Agencies), are jointly proposing to amend swap margin requirements for a registered swap dealer that is an insured depository institution or is otherwise supervised by one of the Agencies.

Statement of Applicability to Institutions with Total Assets Under $10 Billion: The swap margin rule exempts swaps entered into for hedging by financial institutions with total assets of $10 billion or less. Thus, the proposed amendments are not expected to affect such institutions.

Distribution:
FDIC-Supervised Institutions

Suggested Routing:
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Attachments:
Notice of Proposed Rulemaking to Amend Margin and Capital Requirements for Covered Swap Entities – IBOR Transition, Inter-affiliate Margin, Additional Compliance Date, Documentation, Compression

Related Topics:
Margin and Capital Requirements for Covered Swap Entities; Final Rule

Margin and Capital Requirements for Covered Swap Entities – TRIPRA Amendment; Final Rule

Margin and Capital Requirements for Covered Swap Entities – EMNA Amendment; Final Rule

Margin and Capital Requirements for Covered Swap Entities – Brexit Amendment; Interim Final Rule

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Highlights:

The Notice of Proposed Rulemaking (NPR) would propose the following changes to the swap margin rule:

- Provide relief by allowing legacy swaps to be amended to replace existing interest rate provisions based on certain interbank offered rates (IBORs) and other interest rate benchmarks. The proposal would apply to IBOR benchmarks and other interest rate benchmarks that are reasonably expected to be discontinued or are reasonably determined to have lost their relevance as a reliable benchmark due to a significant impairment, without such swaps losing their legacy status.
- Amend the swap margin rule's requirements for inter-affiliate swaps. The proposal would repeal the requirement for a covered swap entity to collect initial margin from its affiliates, but would retain the requirement that variation margin be exchanged for affiliate transactions.
- Add one more initial margin compliance period for certain smaller counterparties and clarify the existing trading documentation requirements in the swap margin rule.
- Amend the swap margin rule to permit amendments caused by certain routine life-cycle activities that covered swap entities may conduct for legacy swaps, such as notional amount reductions and portfolio compression exercises, without triggering margin requirements.

The Agencies will be accepting comments on the proposed changes for 30 days from the date the proposal is published in the *Federal Register*.