Commodity Futures Trading Commission
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Q & A – Proposed Rules Regarding Margin for Uncleared Swaps

Would the proposed rules impose margin requirements on commercial end users?

No. The rule requires a swap dealer (SD) or major swap participant (MSP) to collect margin if its counterparty is another SD/MSP or a financial entity other than an SD/MSP. An SD/MSP would collect initial and variation margin from a non-financial end user only to the extent the parties had mutually agreed to this in their privately-negotiated credit support arrangements.

What products would the proposed rules cover?

The rules would apply to uncleared swaps entered into after the effective date of the regulation. The proposal would not apply retroactively.

Did the Commission consult with other US authorities in developing these rules?

Yes. Staff of the Commission consulted with staff of the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the Federal Housing Finance Agency (collectively, the Prudential Regulators) in developing these rules. Staff of the Securities and Exchange Commission also participated in these consultations. The proposed rules of the Commission and the Prudential Regulators are very similar.

Are the proposed rules similar to international standards?

Yes. The proposed rules are very similar to the standards issued by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions in September of 2013. In a few instances the Commission and the Prudential Regulators are stricter. For example the international standards would permit limited rehypothecation of initial margin. The proposed rules would prohibit it.