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Insights

FDIC Board Approves Joint Final Rule on Swap Margin Requirements

Regulatory Updates - SFI
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At a meeting today of the Board of Directors for the Federal Deposit Insurance Corporation, the FDIC Board approved a joint final rule establishing margin requirements for swaps that are not cleared through a clearinghouse (the "Final Rule").

The Final Rule is a joint action along with the Office of the Comptroller of the Currency, the Federal Reserve Board, the Farm Credit Administration and the Federal Housing Finance Agency (the "Agencies"). The Final Rule was developed in consultation with the CFTC and the SEC.

The Final Rule sets forth requirements for Covered Swap Entities to post and collect initial and variation margin for non-cleared swaps activity. Significantly, the Agencies did not modify the definition of financial end user to exclude structured finance SPVs. The Agencies expressly stated that they feel that these entities should be classified as financial end users and subject to the margin requirements set forth in the Final Rule.

SPVs that have material swaps exposures will have to post initial margin. However, the Final Rule increased the amount that gives rise to a material swaps exposure to $8 billion from the previously proposed level of $3 billion. Additionally, the Final Rule requires variation margin exchange for structured finance SPVs, but has broadened the types of collateral that may be used for variation margin.

Compliance dates for the Final Rule commence on September 1, 2016.

For a copy of the Final Rule, please click here.