

Public Statements & Remarks

Statement of Commissioner Dawn D. Stump Regarding Extending the Compliance Schedule for Initial Margin Requirements for Uncleared Swaps in Response to the COVID-19 Pandemic

May 28, 2020

In 2018 and 2019, I had the opportunity to participate in a number of discussions with the International Organization of Securities Commissions (IOSCO) Board related to the final phase of margin requirements for non-centrally cleared derivatives. Unique considerations for this phase were evident, and the global talks ultimately resulted in recommendation by the Basel Committee on Banking Supervision (BCBS) and IOSCO to extend and stagger the final implementation periods.^[1] These recommendations were agreed to in July 2019 and therefore pre-date COVID-19. In response, and unrelated to the pandemic, the Commodity Futures Trading Commission (CFTC) finalized in March of this year an amendment to its Margin Rule to extend the compliance schedule for initial margin by splitting Phase 5 into two parts and creating a new “Phase 6.”^[2]

Then in light of the challenges presented by the COVID-19 pandemic, BCBS and IOSCO more recently in April of 2020 amended their recommended margin framework to defer each of the Phase 5 and Phase 6 compliance dates by one year.^[3] I support the interim final rule we are considering today, which would accomplish that extension for Phase 5, specifically in response to extraordinary current events. I look forward to soon considering a proposal to extend the Phase 6 compliance date as well.

I also hope that the Commission will soon consider addressing a number of recommendations included in the report recently prepared by the Global Markets Advisory Committee’s Subcommittee on Margin Requirements for Non-Cleared Swaps and adopted by the Global Markets Advisory Committee.^[4] The subcommittee’s charge was not pandemic-related, and the issues discussed in the report remain despite the extended Phase 5 compliance date we are considering today.

^[1] See “Basel Committee and IOSCO Agree to One-Year Extension of the Final Implementation Phase of the Margin Requirements for Non-Centrally Cleared Derivatives” (July 23, 2019), *available at* <https://www.bis.org/press/p190723.htm>.

^[2] See Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 85 Fed. Reg. 19878 (April 9, 2020).

^[3] See Basel Committee and Banking Supervision and Board of the International Organization of Securities Commissions, Margin Requirements for Non-Centrally Cleared Derivatives (Apr. 2020), *available at* <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD651.pdf>.

^[4] See *Recommendations to Improve Scoping and Implementation of Initial Margin Requirements for Non-Cleared Swaps*, Report to the CFTC’s Global Markets Advisory Committee by the Subcommittee on Margin Requirements for Non-Cleared Swaps (Apr. 2020), *available at* https://www.cftc.gov/media/3886/GMAC_051920MarginSubcommitteeReport/download.

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