**Joint Release**

**Board of Governors of the Federal Reserve System**
**Farm Credit Administration**
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**Federal Housing Finance Agency**
**Office of the Comptroller of the Currency**

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# Agencies Finalize Amendments to Swap Margin Rule

Five federal agencies have finalized changes to their swap margin rule to facilitate the implementation of prudent risk management strategies at banks and other entities with significant swap activities.

Under the final rule, entities that are part of the same banking organization generally will no longer be required to hold a specific amount of initial margin for uncleared swaps with each other, known as inter-affiliate swaps. Inter-affiliate swaps typically are used for internal risk management purposes by transferring risk to a centralized risk management function within the firm. The final rule will give firms additional flexibility to allocate collateral internally and support prudent risk management and safety and soundness.

Inter-affiliate swaps will remain subject to variation margin requirements, and initial margin will still be required if a depository institution's total exposure to all affiliates exceeds 15 percent of its Tier 1 capital.

To help transition from LIBOR to alternative reference rates, the final rule allows swap entities to amend legacy swaps to replace the reference to LIBOR or other reference rates that are expected to end without triggering margin exchange requirements. The final rule also clarifies that swap entities may conduct risk-reducing portfolio compression or make certain other non-substantive amendments to their legacy swap portfolios without altering their legacy status.

For smaller swap market participants, the agencies are finalizing as proposed the additional phased compliance period for the smallest covered swap entities and financial end-user counterparties. Simultaneously, the agencies are requesting comment on an interim final rule that extends the compliance date of the initial margin requirements of the swap margin rules to September 1, 2021, for swap entities and counterparties with average annual notional swap portfolios of $50 billion to $750 billion. This interim final rule also extends the initial margin compliance date to September 1, 2022, for counterparties with average annual notional swap portfolios of $8 billion to $50 billion. The final rule provides additional clarification on documentation requirements for smaller counterparties.

Comments on the interim final rule will be accepted for 60 days following publication in the *Federal Register*.

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