Fact Sheet

Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

October 30, 2015

Contact: Michael Stokke or Christine Quinn,
703-883-4056
E-mail: info-line@fca.gov
Website: www.fca.gov

Fact Sheet on the Final Rule on Margin and Capital Requirements for Covered Swap Entities and the Interim Final Rule Implementing TRIPRA

The Farm Credit Administration Board, together with four other federal agencies, has approved a final rule on margin and capital requirements for covered swap entities, as well as an interim final rule (IFR) implementing title III of the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA).

The four other federal agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Housing Finance Agency.

The Final Rule

The final rule implements a risk-based approach that sets minimum margin requirements when covered swap entities enter into non-cleared swap transactions with certain counterparties. The final rule implements sections 731 and 764 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Provisions in the final rule also address the following matters:

- Netting arrangements and minimum transfer amounts
- Eligible collateral
- Segregation of collateral
- Model requirements for calculating the initial margin
- Cross-border transactions
- Documentation requirements
- Transactions between a covered swap entity and its affiliates

The Interim Final Rule

In January 2015, President Obama signed TRIPRA into law. Title III of TRIPRA exempts and excepts the non-cleared swaps of certain counterparties from the minimum margin requirements of the final rule, and it requires the agencies listed above to implement these changes through an interim final rule.

The agencies have complied with the law by issuing an interim final rule in which the majority of swaps of Farm Credit System (FCS) banks and associations qualify for an exemption or exception from mandatory clearing. The exemption or exception applies to the swaps of

- FCS institutions with total assets of $10 billion or less, and
- **any** financial cooperative, regardless of asset size, as long as it uses the swaps to hedge or mitigate risk caused by lending to its member-borrowers.

The interim final rule exempts swaps that qualify for these exceptions or exemptions from clearing from the minimum margin requirements of the final rule.

No FCS institution is currently a covered swap entity. Ordinarily, FCS institutions would be considered financial end-users. However, TRIPRA exempts or excludes virtually all of the non-cleared swaps of FCS banks and associations from the margin requirements.

The Federal Agricultural Mortgage Corporation (Farmer Mac) does not qualify for these same exemptions because it has total assets in excess of $10 billion and is not a cooperative. However, as long as the aggregate notional amount of Farmer Mac's non-cleared swaps remains below $8 billion, this regulation will not require Farmer Mac to exchange initial margin with counterparties that are covered swap entities.

The effective date for both the final rule and the interim final rule is April 1, 2016. The variation margin requirements will phase in between Sept. 1, 2016, and March 1, 2017. The initial margin requirements will phase in over four years, beginning on Sept. 1, 2016. The public comment period for the interim final rule closes on Jan. 31, 2016.

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