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**Joint Release**

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

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October 28, 2019

**Agencies Propose Rule to Amend the Swap Margin Rule**

Five federal agencies today announced a proposal to change the swap margin rules to facilitate the implementation of prudent risk management strategies at certain banks and swap entities.

The swap margin rule would no longer require swap entities to hold initial margin for uncleared swaps with affiliates. However, inter-affiliate transactions would still be subject to variation margin requirements. Swap entities regulated by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Reserve Board also would be subject to requirements under sections 23A and 23B of the Federal Reserve Act. The Federal Reserve Board continues to work on proposed amendments to Regulation W that would, among other things, clarify the treatment of bank-affiliate derivatives under sections 23A and 23B.

Inter-affiliate swaps typically are used for internal risk management purposes, by transferring risk to a centralized risk management function within the firm. The proposal would give firms additional flexibility to allocate collateral internally, supporting prudent risk management strategies that support safety and soundness. The proposal would not change the capital standards for swap entities supervised by the five agencies.

Furthermore, to aid in the transition away from LIBOR, the agencies proposed to allow certain technical amendments to legacy swaps without altering their status under the swap margin rules.

For smaller counterparties, the proposal would provide clarification on documentation requirements and implementation relief. In addition, the proposal would extend the effective date by one year to September 1, 2021, for smaller counterparties to meet initial margin requirements.

Comments on the proposal will be accepted for 30 days following publication in the Federal Register.

Attachments:

- NPR

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