



Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-61-2015
December 16, 2015

Margin and Capital Requirements for Covered Swap Entities

Summary: The FDIC, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Farm Credit Administration, and the Federal Housing Finance Agency (the Agencies) have adopted a final rule to implement Sections 731 and 764 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act). These sections require the agencies to adopt rules jointly to establish capital requirements and initial and variation margin requirements for all non-cleared swaps and non-cleared security-based swaps of dealers and major participants. The capital requirements under these sections have been previously incorporated in the Agencies' capital rules.

Statement of Applicability to Institutions with Total Assets Under \$10 Billion: In conjunction with the final rule, the Agencies have adopted an interim final rule that would exempt swaps entered into by financial institutions with total assets of \$10 billion or less from the final rule, provided the swaps were entered into for hedging purposes. The Agencies seek comments on the interim final rule, for which the comment period closes January 31, 2016.

Distribution:

FDIC-Supervised Banks and Savings Associations

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Attachments:

[Final Rule to Establish Margin and Capital Requirements for Covered Swap Entities](#)

[Interim Final Rule to Exempt Commercial End Users and Small Banks](#)

Related Topics:

Capital Adequacy of FDIC-Supervised Institutions, 12 CFR Part 324 (Regulatory Capital Rules)

Contact:

Bobby Bean, Associate Director, bbean@fdic.gov;
Jacob Doyle, Policy Analyst, jdoyle@fdic.gov,
Division of Risk Management Supervision, Capital Markets Branch, or (202) 898-6888

Note:

FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at <https://www.fdic.gov/news/news/financial/2015/>.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights

The final rule imposes certain margin requirements on insured depository institutions and other entities regulated by the Agencies that have registered as swap dealers and major swap participants with the Commodity Futures Trading Commission or as security-based swap dealers and major security-based swap participants with the U.S. Securities and Exchange Commission. These organizations are referred to in the final rule as "covered swap entities" (CSEs). Generally, the final rule would require CSEs to:

- Collect initial margin and variation margin from other CSE counterparties.
- Post and collect daily initial margin when trading with financial end-user counterparties with material swaps exposure, defined as a notional exposure of \$8 billion or more.
- Post and collect daily variation margin when trading with financial end-user counterparties, regardless of the level of swaps exposure if the required amount of variation margin and initial margin exceeds \$500,000.

In addition, the final rule:

- Includes specific provisions for inter-affiliate swaps.
- Does not require CSEs to exchange margin with commercial end-users or financial institutions with total assets of \$10 billion or less, provided that the swaps are entered into for hedging purposes.
- Establishes minimum quality standards for acceptable initial and variation margin collateral. It also establishes minimum safekeeping standards for initial margin collateral posted by CSEs and counterparties to ensure collateral will be available to support the trades if defaults occur.
- Applies only to new swaps entered into after the applicable compliance dates. These dates range from September 2016 to September 2020.