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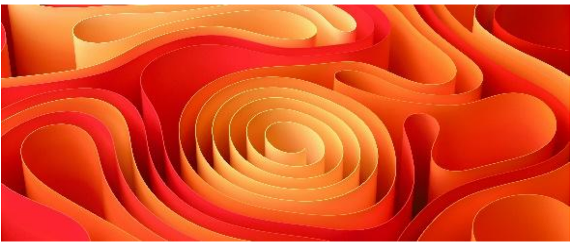

TOPICS:

Market risk

SOURCE:

European Supervisory Authorities

EBA, EIOPA and ESMA Propose Amendments to Bilateral Margin Requirements

- The **ESAs Final Report** proposes targeted amendments to Commission Delegated Regulation (EU) 2016/2251 governing **initial margin (IM) requirements for non-centrally cleared OTC derivatives** under EMIR. The objective is to reduce unnecessary operational burdens while maintaining the existing risk-management framework.
- Under the current rules, counterparties are exempt from collecting initial margin on **new** OTC derivative contracts when one counterparty's aggregate average notional amount (AANA) for March–May of the previous year falls below **EUR 8 billion**. However, this exemption does not extend **to existing contracts**, requiring firms to continue calculating, exchanging and safeguarding initial margin for legacy trades. The ESAs identify this as an unnecessary operational burden and note that it differs from approaches adopted in other jurisdictions.
- The proposed amendment **extends the exemption to existing OTC derivative contracts**. Where one counterparty's AANA falls below the EUR 8 billion threshold, counterparties may cease collecting initial margin, release previously posted initial margin for outstanding contracts, and apply the exemption as early as **1 June** of the relevant year. Conversely, where both counterparties exceed the threshold, initial margin requirements continue to apply only to **new** contracts from **1 January of the following year**, preserving firms' preparation time before entering the regime. Counterparties retain discretion to continue exchanging initial margin or adopt the exemption later if operationally necessary.
- The report also updates the RTS to reflect **EMIR 3**, removing obsolete transitional provisions relating to single-stock options and equity index options, which are now exempt from collateral exchange requirements under the Level 1 legislation.