

Regulators issue guidance on non-compliance with impending variation margin requirements

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On February 23 2017 the US prudential regulators – including the Federal Reserve Board, the Office of the Comptroller of the Currency and the International Organisation of Securities Commissions (IOSCOs) – alongside the European Supervisory Authorities (ESAs) and the Financial Conduct Authority (FCA) issued guidance as to the March 1 2017 implementation of variation margin requirements on uncleared swaps.⁽¹⁾ The guidance indicates how the respective supervisory authorities and regulators will approach compliance with the variation margin requirements.

The US prudential regulators expect priority to be given to compliance efforts by covered entities based on the size of and risk inherent in the credit and market risk exposures presented by each counterparty. In particular, compliance as of March 1 should be achieved with respect to those counterparties that present significant exposures. Firms must make good faith efforts to comply as soon as possible for other counterparties, but no later than September 1 2017.

For further information on this topic please contact [Donna M Parisi](#), [Geoffrey B Goldman](#) or [Azam H Aziz](#) at Shearman & Sterling LLP by telephone (+1 212 848 4000) or email (dparisi@shearman.com, geoffrey.goldman@shearman.com or aaziz@shearman.com). The Shearman & Sterling LLP website can be accessed at www.shearman.com.

Endnotes

(1) The US regulators' statement is available [here](#), the IOSCOs' statement is available [here](#), the ESAs' statement is available [here](#) and the FCA's statement is available [here](#).

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