Description: Notice of Proposed Rulemaking

SUMMARY AND BACKGROUND

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the Federal Housing Finance Agency (collectively referred to as the agencies) request comments on a proposal to establish minimum margin and capital requirements for registered swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants (swap entities) subject to agency supervision. This proposed rule implements sections 731 and 764 of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd–Frank Act). Sections 731 and 764 require the agencies to jointly adopt rules to establish capital requirements, as well as initial and variation margin requirements, for swap entities on all non-cleared swaps and non-cleared security-based swaps to offset the greater risk to such entities and the financial system arising from the use of swaps and security-based swaps that are not cleared.

The amount of margin that swap entities would be required to collect under the proposed rule would vary based on the relative risk of the counterparty and of the swap or security-based swap. A swap entity would not be required to collect margin from a commercial end user as long as its margin exposure is below an appropriate credit exposure limit established by the swap entity. A swap entity would also not be required to collect margin from low-risk financial end users as long as its margin exposure does not exceed a specific threshold; however, margin would be required to be collected from other financial end users and all swap entities. The proposed margin requirements would apply to new, non-cleared swaps or security-based swaps entered into after the proposed rule’s effective date. The proposed rule relies on existing capital standards that address non-cleared swaps and non-cleared security-based swaps to implement the Dodd–Frank Act requirement to establish capital requirement for regulated swap entities.

This proposed rule was published in the Federal Register at 76 FR 27564 (May 11, 2011). Comments should be received on or before June 24, 2011.

FURTHER INFORMATION

For further information about this bulletin, contact the Office of the Chief National Bank Examiner (202) 649-6360.

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