

U.S. Prudential Regulators Finalize Amendments to Swap Margin Rule

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The U.S. prudential regulators have finalized amendments to their non-cleared swap and security-based swap margin regulations. Among other things, the amendments:

- permit prudentially regulated swap dealers and security-based swap dealers (together with swap dealers, “covered swap entities”) to make certain amendments to legacy swaps without bringing them into scope for purposes of the margin rules, including amendments made to replace an interbank offer rate, such as the London Interbank Offered Rate;
- exempt covered swap entities from the requirement to collect initial margin from affiliates below a 15% tier 1 capital threshold, though variation margin is still required to be exchanged;
- add an additional initial margin compliance period for certain smaller counterparties, and a separate interim final rule extends the remaining initial margin compliance periods in light of COVID-19; and
- clarify the point at which certain initial margin documentation must be put in place.

Each of these amendments is discussed in detail in our memo.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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