

MEMO# 35684

April 17, 2024

ICI Global Responds to Margin Consultations

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TO: ICI Members
ICI Global Members
Derivatives Markets Advisory Committee
Equity Markets Advisory Committee
SUBJECTS: Derivatives
Financial Stability
International/Global
Trading and Markets
RE: ICI Global Responds to Margin Consultations

On 15 April, ICI Global responded to three consultations from international standard setters on enhancing margin practices.[\[1\]](#) These responses are summarised below.[\[2\]](#)

Initial margin in centrally cleared markets

The Basel Committee on Banking and Supervision (BCBS), the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI), and the International Organization of Securities Commissions (IOSCO) jointly published a consultation report on transparency and responsiveness of initial margin in centrally cleared markets.

This consultation presented policy recommendations that are addressed to central counterparties (CCPs) and their clearing members (CMs). It did not set forth expectations for clients of clearing members, such as regulated funds and their investors, who are among the intended beneficiaries of the proposals.

ICI Global expressed general support for the proposals in the Consultation but recommended more explicit standards to address some areas where CCPs (and CMs, in corresponding cases) would retain significant discretion. In the area of transparency, we encouraged the development of explicit standards for qualitative disclosures that ensure clear and consistent provision of information by CCPs to all market participants. In the area of governance, we recommended a more granular and explicit standard to minimise discretionary deviations and overrides. ICI Global also reiterated some items for additional work to enhance margin processes that we previously submitted to international standard setters but have not yet been addressed.

Variation margin in centrally cleared markets

CPMI and IOSCO published a consultation report with examples of effective variation margin practices that are addressed to CCPs and CMs. Clients, including regulated funds, are the intended beneficiaries, but the consultation did not set forth expectations for clients.

In our response, ICI Global expressed general support for the Consultation while providing more detailed comments on a few areas. First, we called for CPMI-IOSCO to increase the predictability of intraday margin calls through the development of guidance for planned intraday margin calls and restriction of ad hoc calls. Second, we encouraged regulators to expand the types of eligible collateral based on appropriate risk-based eligibility principles. Third, we called for CPMI-IOSCO to prioritise efforts to increase the standardisation of variation margin processes and disclosures across the industry and increase alignment of payment flows.

Variation margin and initial margin in non-centrally cleared markets

BCBS and IOSCO jointly published a consultation report with recommendations to streamline variation margin practices and increase the responsiveness of initial margin in non-centrally cleared markets. These recommendations are addressed to firms, including regulated funds, who exchange bilateral margin for non-centrally cleared transactions and intended to encourage individual firms to engage in good market practices.

Noting that centrally cleared markets should remain the focus of global regulators' efforts to enhance margin practices, ICI Global was supportive of this consultation. However, while the consultation recommended that firms consider providing flexibility in bilaterally agreed acceptable collateral, we encouraged BCBS and IOSCO to further consider recommendations to expand the types of eligible collateral.

Kirsten Robbins
Associate Chief Counsel, ICI Global

Notes

[1] BCBS-CPMI-IOSCO, [Consultative report: Transparency and responsiveness of initial margin in centrally cleared markets - review and policy proposals](#) (January 16, 2024); BCBS-IOSCO, [Streamlining VM processes and IM responsiveness of margin models in non-centrally cleared markets](#) (January 17, 2024); CPMI-IOSCO, [Streamlining variation margin in centrally cleared markets - examples of effective practices](#) (February 14, 2024). ICI's memos summarising these consultations are available [here](#) and [here](#).

[2] Our responses to the [cleared initial margin](#), [cleared variation margin](#), and [non-centrally cleared initial and variation margin](#) are available through the embedded links.