



HONG KONG MONETARY AUTHORITY  
香港金融管理局

*Banking Policy Department*

Our Ref: B9/129C  
B1/15C

16 August 2019

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**One-year Extension of the Final Implementation Phase of the Margin Requirements for Non-centrally Cleared Derivatives**

Further to the statement<sup>1</sup> published in March 2019 which clarified certain aspects of the margin requirements for non-centrally cleared derivatives, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) recently issued a joint statement<sup>2</sup> on extending the final implementation of the initial margin requirements by one year.

Considering the initial margin requirements will be applied to a large number of entities for the first time in the final phase of implementation, the BCBS and IOSCO have agreed to the one-year extension to support a smooth and orderly implementation of the margin requirements which is consistent and harmonised across jurisdictions. With this extension, the final implementation phase will commence on 1 September 2021, at which point covered entities with an aggregate average notional amount (AANA) of non-centrally cleared derivatives greater than EUR 8 billion will be subject to the initial margin requirements.

To facilitate the extension, the BCBS and IOSCO introduce an additional implementation phase whereby covered entities with an AANA of non-centrally cleared derivatives greater than EUR 50 billion will be subject to the initial margin requirements for the period from 1 September 2020 to 31 August 2021.

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<sup>1</sup> Please see <https://www.bis.org/press/p190305a.htm>. For the corresponding circular issued by the HKMA, please see <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190318e2.pdf>.

<sup>2</sup> Please see <https://www.bis.org/press/p190723.htm>.

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The HKMA intends to adopt the revised implementation schedule as announced by the BCBS and IOSCO. The current final phase of initial margin requirements originally scheduled on 1 September 2020 will be postponed to 1 September 2021. Additionally, an interim phase with an AANA threshold of HKD 375 billion will be introduced for the one-year period starting from 1 September 2020. The Supervisory Policy Manual module CR-G-14 will be amended accordingly before the end of this year. The HKMA expects that AIs will act diligently to make all relevant arrangements on a timely basis and comply with the requirements by this revised timeline.

If you have any questions on the HKMA's margin and risk mitigation standards for non-centrally cleared OTC derivatives, please contact Ms Eva Tung (2878 1228, [eywtung@hkma.gov.hk](mailto:eywtung@hkma.gov.hk)) or Mr Lincoln Wong (2878 1271, [llhwong@hkma.gov.hk](mailto:llhwong@hkma.gov.hk)).

Yours faithfully,

Daryl Ho  
Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks  
The Chairman, The DTC Association  
FSTB (Attn: Ms Eureka Cheung)