

Latest EMIR news

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| Date | Title |
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| 7 December 2017 | <p data-bbox="421 555 1331 633">Variation margin requirements under EMIR for physically settled FX forwards</p> <p data-bbox="421 667 1374 1055">On 24 November 2017, the European Supervisory Authorities (ESAs) issued a statement ↗ on the variation margin requirements under EMIR for physically settled FX forwards. They confirmed they are in the process of reviewing, and proposing amendments to, the Regulatory Technical Standards (RTS) on risk mitigation techniques for OTC derivatives not cleared by a central counterparty. The ESAs indicated that the changes will look to align the treatment of physically settled FX forwards with the supervisory guidance applicable in other jurisdictions.</p> <p data-bbox="421 1088 1366 1256">We support the ESAs’ statement. They recommend competent authorities “generally apply their risk-based supervisory powers in their day-to-day enforcement of applicable legislation in a proportionate manner”.</p> <p data-bbox="421 1290 1374 1536">The amendments to the RTS should become increasingly clear over time and we would expect firms to make their plans as a result. Although how they will be amended is not completely clear at this time, the proposals as outlined in the ESAs’ statement can be used by firms as an indication of what the amended requirements may look like.</p> <p data-bbox="421 1570 1347 1783">Accordingly, we will not require firms whose physically settled FX forwards are likely to be outside the scope of the amended requirements to continue putting processes in place to exchange variation margin. This approach is subject to any further statements that may be issued by the ESAs or the FCA.</p> <p data-bbox="421 1816 1294 1895">We, in any event, continue to recognise that the exchange of variation margin is a prudent risk management tool.</p> |
