

JOINT COMMUNICATION 1 OF 2023

Notice of publication – Amendments to Joint Standard 2 of 2020: Margin Requirements for non-centrally cleared over-the-counter derivative transactions, 2023

The Financial Sector Conduct Authority and the Prudential Authority (the Authorities) today published Joint Standard Amendment 1 of 2023: Amendments to Margin Requirements for non-centrally cleared OTC derivative transactions, 2023 (the Amendments) which was made in terms of section 107, read with sections 106(1)(a), 106(2)(a) and (e), 108(1)(g) and (j) and 108(2) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act).

In June 2020, the Authorities published Joint Standard 2 of 2020 relating to the margin requirements for non-centrally cleared OTC derivatives transactions (Joint Standard). The Joint Standard came into effect on 16 August 2021.

As part of the ongoing monitoring of the implementation of the Joint Standard, further refinements were proposed to be made to the Joint Standard. In particular, the Authorities identified the following matters to be provided for:

- (a) provisions to enable reporting from providers as well as financial institutions that are counterparties as defined in the Joint Standard;
- (b) provisions enabling the imposition of appropriate risk mitigation requirements by providers wanting to make use of non-cash collateral;
- (c) refinements to the provisions on quantitative portfolio margin models to clarify the application requirements on the historical data utilised for calibration are applicable to the entire identified period of historical data to be utilised for calibration purposes on the quantitative portfolio margin model;
- (d) refinements on the phasing-in of initial margin requirements to align with dates communicated in Joint Notice 1 of 2022; and
- (e) aligning the terminology in the Joint Standard to that of the FSR Act.

The Amendments come into effect on the date of publication.

The consultation report, together with the statement of the need for, expected impact and intended operation of the Amendments, as contemplated in section 98(1) of the FSR Act, are published together with the Amendments. For reference purposes, the Authorities have also published a revised version of the Joint Standard that includes the amendments.

Requests for further information about the joint communication or Joint Standard may be submitted via email to FSCA.RFDStandards@fsca.co.za for the attention of Ms Lezanne Botha and PA-Standards@resbank.co.za for the attention of Ms Videshree Rooplall.



Unathi Kamlana
Commissioner
FINANCIAL SECTOR CONDUCT AUTHORITY

DATE: 07.06.2023



Fundi Tshazibana
Chief Executive Officer
PRUDENTIAL AUTHORITY

DATE: 08/06/23