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TO:

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Via email

May 19, 2021

Consultation Paper | PRA CP6/21 | FCA CP21/7
Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251 - March 2021

Dear Mr. Massey and Ms. Deenmamode,

The Global Foreign Exchange Division (GFXD) of the Global Financial Markets Association (GFMA) welcomes the opportunity to comment on behalf of its members on *Consultation Paper | PRA CP6/21 | FCA CP21/7 - Margin requirements for non-centrally cleared derivatives: Amendments to BTS* (the "Consultation") issued jointly by the PRA and FCA in March 2021.

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 24 global foreign exchange (FX) market participants,[1] collectively representing a significant portion of the foreign exchange inter-dealer market. Both the GFXD and its members are committed to ensuring a robust, open and fair FX marketplace and welcome the opportunity for continued dialogue with global regulators.

The FX market is the world's largest financial market. Effective and efficient exchange of currencies underpins the world's entire financial system. Many of the current legislative and regulatory reforms have had, and will continue to have, a significant impact upon the operation of the global FX market, and the GFXD wishes to emphasize the desire of our members for globally coordinated regulation, which we believe will be of benefit to both regulators and market participants alike.

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We commend the PRA and FCA for their initiative in implementing the G20 commitments to reform the OTC derivatives market, including to align the Binding Technical Standards (BTS) 2016/2251 with global standards and timeframes and provide legal certainty about the obligations of firms within the UK with respect to uncleared margin.

In terms of the amendments proposed in the Consultation:

1. **We support the adjustment of the implementation dates and thresholds for the phase-in of Initial Margin ("IM") requirements to accord with the revised BCBS IOSCO 2021/2022 timeline adopted globally in response to Covid-19.**

   We agree that the amendment enhances the safety and soundness of UK firms by providing operational relief to enable smooth IM implementation without delaying the benefit. Importantly, alignment to the international standards provides firms with cross-border activities a unified basis to meet obligations across jurisdictions.

2. **We also support the amendment of the UK bilateral margining requirements in the onshored BTS 2016/2251 to require the exchange of Variation Margin for physically-settled FX forwards and swaps between specified counterparties only (firms that are 'institutions' as defined in Article 4(1)(3) of the Capital Requirements Regulation (CRR) or, for third-country firms, that would meet the definition of 'institution' if established in the UK)).**

   This would mean no change in current practice, and also would maintain consistency of approach across the UK and EU. The amendment also provides legal certainty about the obligations of firms within the UK.

[1] Bank of America, Bank of New York Mellon, Barclays, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, MUFG, NatWest, Nomura, Northern Trust, RBC, Standard Chartered, State Street, UBS, Wells Fargo and Westpac.

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We appreciate the opportunity to express our support for the proposals in the Consultation. Please do not hesitate to contact Victoria Cumings on +1 212 313 1141, email vcumings@us.gfma.org should you have questions.

Yours sincerely,

James Kemp
Managing Director
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