SOCIETE GENERALE
Securities Services

EMIR

IMPLEMENTATION OF THE 2009 G20 RECOMMENDATIONS FOR OTC DERIVATIVES

REGULATORY EVOLUTION

1 **Risk mitigation techniques required for non cleared contracts (operational risk)**: different tools have to be put in place such as timely confirmation, portfolio reconciliation, management of disputes …

2 **Mandatory reporting**: applies to all parties to derivatives contracts (listed or OTC); contracts to be bilaterally declared to a Trade Repository. The reporting could technically be outsourced (the party remains responsible)

3 **Mandatory clearing**: applies to non listed derivatives that are admitted by at least one CCP and are considered as sufficiently standardised by ESMA (as of today some IRD and CDS)

4 **Bilateral exchange of initial and variation margins (IM and VM) for non cleared contracts**: IM are required for counterparties that are above a certain threshold whereas VM are always to be exchanged; there is a phase in implementation for IM (following international recommendations) and a two step for VM. At the end only contracts were both parties are entities with an AANA* (on a group level, except for funds) below a threshold of 8 billion Euros will be exempted from IM exchanges.

FOCAL POINTS

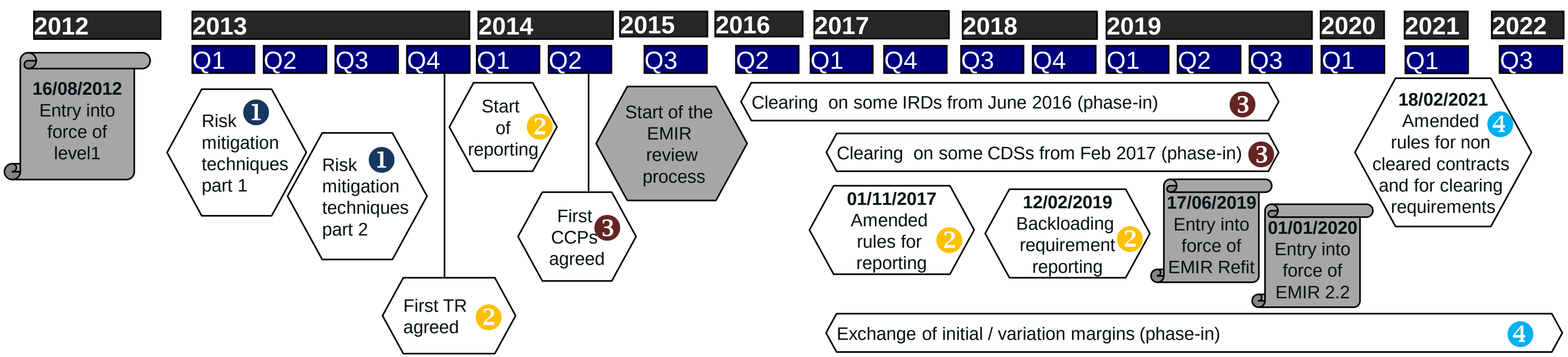
One of the main impacts of these requirement is related to the shortening of the delay to process these operational tasks now mandatory

The reporting has to be made by each party of the contract whereas in the US it is a one side model. Moreover, it includes also listed derivatives leading such contracts to be reported twice (due to EMIR and due to MIFIR)

Parties to the contracts are divided in 4 categories (clearing members, large Financial Counterparties, small Financial Counterparties, Non-Financial Counterparties above the threshold - also called NFC+). Funds are considered as FC. Some counterparties may face difficulties when building a clearing set-up.

It was expected for the 01/09/2016 (international recommendations) and finally started in the EU in February 2017. Some critical points : Inconsistencies with the US regulation (FX forwards, equity options, ..), segregation requirements for IM, timeline for the provision of variation margins, intragroup transactions, counterparties in specific third countries

*AANA – aggregate average notional amount. This is calculated across its group and recorded on the last business day of the months March, April, and May of the relevant year (including all uncleared OTC derivatives of the group and all intra-group noncentrally cleared OTC derivative contracts of the group, taken into account only once).



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IMPLEMENTATION OF THE 2009 G20 RECOMMENDATIONS FOR OTC DERIVATIVES

Updated on the 8th of March 2021

- Cleared contracts
- Non cleared contracts
- Central Counterparties (CCPs)
- Reporting

Cleared	Clearing members	FC above the threshold	~~FC below the threshold~~	~~NFC+~~
IRS wave1	21/06/2016	21/12/2016	~~21/06/2019~~	~~21/12/2018~~
CDS	09/02/2017	09/08/2017	~~21/06/2019~~	~~09/05/2019~~
IRS wave 2	09/02/2017	09/07/2017	~~21/06/2019~~	~~09/07/2019~~

Non Cleared	2 parties above 3000 billions €	2 parties above 2250 billions €	2 parties above 1500 billions €	2 parties above 750 billions €	2 parties above 50 billions €	2 parties above 8 billions €	At least 1 party below 8 billions €
Initial Margin (IM)	06/02/2017	01/09/2017	01/09/2018	01/09/2019	01/09/2021	01/09/2022	No IM
Variation Margin (VM)	06/02/2017	01/03/2017	01/03/2017	01/03/2017	01/03/2017	01/03/2017	01/03/2017
VM (FX forwards) (*)	03/01/2018	03/01/2018	03/01/2018	03/01/2018	03/01/2018	03/01/2018	03/01/2018

STATEMENT

Non cleared contracts
Due to the Covid-19 a new international timeline has been proposed by the Basel Committee and IOSCO: phase 5 and phase 6 are postponed by one year (01/09/2021 and 01/09/2022). The amended delegated regulation has been published in the EU OJ on the 17th of February 2021

(*) mandatory only for contracts between institutions (see point below)

FOR YOUR CONSIDERATION

❑ **Non cleared contracts: a delegated act amending the regulation 2016/2251 has been published in the OJ on the 17th of February 2021**

- Alignment to the new recommendations of the Basel Committee / IOSCO as regards the implementation phase for initial margins (post-covid 19 new calendar)
- Physically settled FX forwards and Swaps: variation margins not required where one of the counterparties is not an institution
- Equities options and index options: the exemption is now extended until the 4th of January 2024
- The intragroup contracts exemption is now until the 30th of June 2022
- Brexit: new contracts (the relocated ones) may benefit from the same exemptions as the original contracts

❑ **Cleared contracts: a delegated act amending the 3 delegated regulations has been published in the OJ on the 17th of February 2021**

- The temporary clearing exemption for intra-group transactions is extended to the 30th of June 2022
- Brexit: new contracts (the relocated ones) may benefit from the same exemptions as the original contracts

❑ **Trade Repository**: ESMA has issued i(17.12.2020) its final report on reporting, data quality, data access and registration of Trade Repositories under EMIR Refit; this may lead to significant changes

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To know more please refer to: FicheEMIR-ToKnowMore