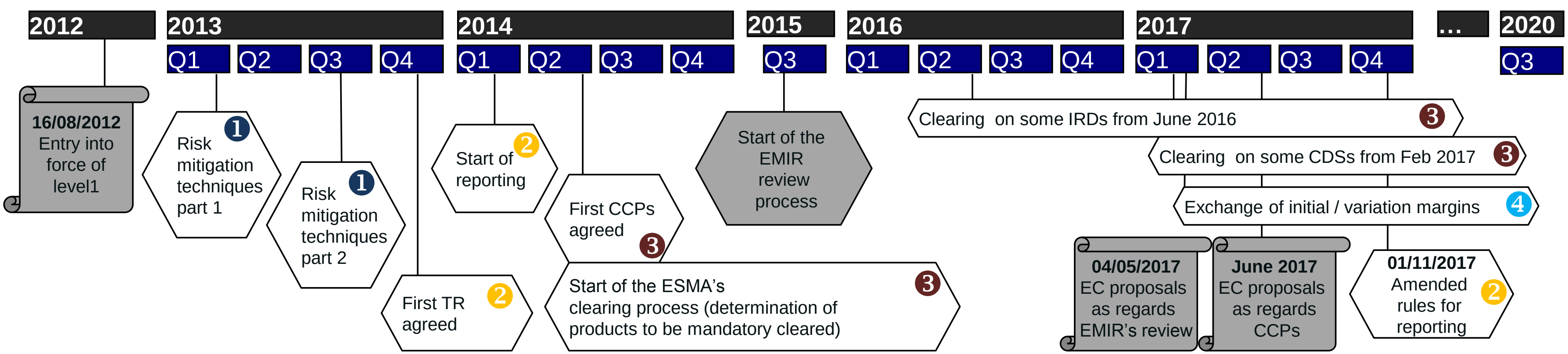
SOCIETE GENERALE
Securities Services

EMIR

IMPLEMENTATION OF THE 2009 G20 RECOMMENDATIONS FOR OTC DERIVATIVES

REGULATORY EVOLUTION	FOCAL POINTS
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 …	One of the main impacts of these requirement is related to the shortening of the delay to process these operational tasks now mandatory
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)	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)
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)	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.
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 (until 2020) and a two step for VM. In 2020 only contracts were both parties are entities with an AANA* (on a group level, except for funds) below a threshold of 8 billions Euros will be exempted from IM exchanges.	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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Updated on 27 December 2018

- 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 8 billions €	At least 1 party below 8 billions €
Initial Margin (IM)	06/02/2017	01/09/2017	01/09/2018	01/09/2019	01/09/2020	No IM
Variation Margin (VM)	06/02/2017	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

(*) at least for contracts between institutions (see point below)

STATEMENT

Clearing
New dates for Categ 3

Non cleared
Entry into application: 06/02/2017

Reporting
Amended version of the technical standards (01/11/2017)

FOR YOUR CONSIDERATION

- **FX forwards** : the amended text (limiting the VM requirement) has not been adopted yet
- **SSPE (Securitization Special Purpose Entity)** to be exempted under certain conditions from clearing and from bilateral exchange of margins : ESAs proposed to update EMIR level 1 and 2 (12.12.2018)
- **EMIR clearing obligation** : NFC+ as well as certain intragroup contracts will become submitted tot the clearing obligation in December 2018 whereas they should benefit from an exemption under EMIR REFIT; therefore ESMA has issued a letter (31.10.2018) requesting competent authorities to not focus their supervisory actions on such contracts
- **EMIR proposal for a more robust supervision of CCPs –** The Presidency has been asked to start the trilogue negotiations (03.12.2018)

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To know more please refer to: FicheEMIR-ToKnowMore