EUROPEAN MARKET INFRASTRUCTURE REGULATION (EMIR)

CLEARING OBLIGATION (for FCs and NFC+s only)

All Financial Counterparties (FCs) and Non-Financial Counterparties over the clearing threshold (NFC+s) have to clear OTC derivatives covered by the clearing mandate, where those transactions are entered into with other FCs, NFC+s or similar entities established in or outside the European Union.

NFC+ counterparties will only be subject to the clearing obligation in the asset classes, where they exceed the threshold.

What are the OTC derivatives currently subject to the clearing obligation under EMIR?

Type	Maturity	Currency
G4 currencies IRS RTS		
Basis swaps	28D – 50Y	EUR, GBP, USD
Basis swaps	28D – 30Y	JPY
Fixed-to-float interest rate swaps	28D – 50Y	EUR, GBP, USD
Fixed-to-float interest rate swaps	28D – 30Y	JPY
Forward rate agreements	3D – 3Y	EUR, GBP, USD
Overnight index swaps	7D – 3Y	EUR, GBP, USD
EEA currencies IRS RTS		
Fixed-to-float interest rate swaps	28D – 10Y	NOK, PLN
Fixed-to-float interest rate swaps	28D – 15Y	SEK
Forward rate agreements	3D – 2Y	NOK, PLN
Forward rate agreements	3D – 3Y	SEK

Type	Tenor	Series
CDS RTS		
iTraxx Europe Main	5Y	17 onwards
iTraxx Europe Crossover	5Y	17 onwards

Note: A Small Financial Counterparty (SFC) is a Financial Counterparty whose positions calculated at group level do not exceed any of the clearing thresholds set (including hedging transactions in calculation). SFCs are no longer subject to the EMIR clearing obligations but are still subject to reporting and margin requirements.

MARGINS FOR UNCLEARED TRADES

From the 1st of March 2017, all EU Financial Counterparty (FC) and Non-Financial Counterparty above the Clearing threshold (NFC+) entities will be required to exchange variation margin regardless of whether they face EU or non-EU entities. Both parties to the transaction are impacted. Be aware that depending on where your trades are booked, multiple regimes may apply.

Furthermore, from December 2016, some FCs and NFC+s will also be required to exchange Initial Margin.

- Variation Margin (VM) is the amount to be collected or posted to cover the mark-to-market exposure of the OTC derivatives contracts.
- Initial Margin (IM) is the amount to be collected or posted to cover the potential future exposure resulting from a counterparty default.

R.E.: A. Goegebuer, BNP Paribas Fortis SA/NV, Montagne du Parc/Warandeberg 3, B-1000 Brussels, VAT BE 0403.199.702, RPM/RPR Brussels.

EUROPEAN MARKET INFRASTRUCTURE REGULATION (EMIR)

What are the Eligible Contracts?

EMIR imposes the use of risk mitigation procedures for all OTC derivative transactions that are not cleared by CCPs. All non– cleared OTC derivative transactions are within scope, subject to some transitional requirements and narrow product exemptions.

Initial Margin will be applicable to all counterparts with a total exposure on non-centrally cleared derivatives above the IM threshold of €8 billion. The threshold will have to be assessed annually.

Entities may agree not to collect initial margin on physically settled foreign exchange forwards and swaps, or the principal in relation to cross-currency swaps. There are also temporary exemptions for both Initial Margin (IM) and Variation Margin (VM) in relation to single-stock equity options and index options, and in relation to VM for foreign exchange forwards.

R.E.: A. Goegebuer, BNP Paribas Fortis SA/NV, Montagne du Parc/Warandeberg 3, B-1000 Brussels, VAT BE 0403.199.702, RPM/RPR Brussels.