22 August 2016

To: All APRA-regulated institutions other than private health insurers

MARGINING AND RISK MITIGATION FOR NON-CENTRALLY CLEARED DERIVATIVES

On 25 February 2016, the Australian Prudential Regulation Authority (APRA) released for consultation a discussion paper and draft new prudential standard, *Prudential Standard CPS 226 Margining and risk mitigation for non-centrally cleared derivatives* (CPS 226). As part of that consultation, APRA proposed that CPS 226 would formally commence on 1 September 2016, with the new margining requirements phased-in from September 2016 to September 2020.

In light of delays in implementation of the internationally-agreed framework in other major derivative markets, APRA has reconsidered the timeline for Australian implementation, and concluded that deferring the implementation of the margin and risk mitigation requirements in CPS 226 beyond 1 September 2016 is the most appropriate course of action.

APRA intends to release the final version of CPS 226 in the near future. The new standard will set out the final form of the margining and risk mitigation requirements to be applied by APRA-regulated institutions with material levels of non-centrally cleared derivatives, taking into account feedback received during the consultation period. Releasing the final version of CPS 226 in this manner will allow industry participants to complete their preparations for the new standard. However, APRA will not set a commencement date for CPS 226 at this stage. APRA will continue to monitor progress in other jurisdictions and will advise the Australian implementation date, and revised phase-in schedule for the margin requirements, in due course.

If you have any questions in relation to this matter, please contact your Responsible Supervisor.

Yours sincerely

Pat Brennan
Executive General Manager
Policy and Advice Division