



MARKET NOTICE

Market Notice: 2017_3

Date: 24 July 2017

Subject: APRA CPS 226 Margining status renewal request

Entities regulated by the Australian Prudential Regulation Authority (**APRA**, and such entities, **APRA covered entities**) are required to have in place margining practices in relation to non-centrally cleared derivatives. These requirements are contained in the Prudential Standard CPS 226 *Margining and risk mitigation for non-centrally cleared derivatives* (CPS 226).

Under CPS 226 an APRA covered entity must exchange variation margin with a covered counterparty during a margining period where both parties belong to margining groups whose aggregate month-end average notional amount of non-centrally cleared derivatives (AANA) for the relevant reference period exceeds AUD 3 billion. APRA covered entities have received AANA information from some counterparties, for the purpose of determining if variation margin requirements under CPS 226 apply in relation to their dealings in non-centrally cleared derivatives with such counterparties. APRA covered entities need to ensure that representations previously received from such counterparties in relation to AANA for a particular reference period and margining period have continuing validity for subsequent reference periods and margining periods. Following consideration by the AFMA Documentation Committee a standard form wording is proposed for a Principal (an APRA covered entity sending the request) to send to a Recipient (counterparty receiving the request) where trading is expected to continue in non-centrally cleared derivatives between the Principal and Recipient

This request is not intended as a primary form of self-disclosure information between market participants necessary to determine if and when compliance with the Australian regulatory margin regime will be required.¹

¹ AFMA recommends use of the Australia Supplement to the [ISDA Regulatory Margin Self-Disclosure Letter](#) for the purpose of primary self-disclosure.

Margining status renewal request recommended wording

*The margin requirements for Australia are set out in Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 226 Margining and risk mitigation for non-centrally cleared derivatives (CPS 226) (**Australian Margin Requirements**). Terms used but not defined in this notice have the meanings given to them in the Australian Margin Requirements.*

The Recipient of this notice has previously represented to the Principal that, for the purposes of determining whether the Australian Margin Requirements apply to the relationship between Principal and Recipient, the aggregate month-end average notional amount of non-centrally cleared derivatives (AANA) of the Recipient's margining group did not exceed the AUD 3 billion qualifying level for a particular reference period.

The Recipient, by continuing to trade in non-centrally cleared derivatives with the Principal from 1 September [2017], represents that the AANA of its margining group over March, April and May [2017] did not exceed AUD 3 billion. The Recipient agrees to notify the Principal promptly, and in any event prior to entering into a non-centrally cleared derivative with Principal, if its margining group has an AANA exceeding AUD 3 billion over March, April and May in any subsequent year.

Queries in relation to this notice should be directed to dlove@afma.com.au

About AFMA

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 120 members including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.