

Financial Sector Regulation Act, 2017

Financial Markets Act, 2012

Joint Communication 1 of 2022

Notice of invitation to comment - Proposed amendments to Joint Standard 2 of 2020 - Margin requirements for non-centrally cleared over-the-counter derivative transactions

In June 2020, the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA) (the Authorities) published Joint Standard 2 of 2020 relating to the margin requirements for non-centrally cleared over the counter (OTC) derivatives transactions (Joint Standard).

The Joint Standard came into effect on 16 August 2021. The Authorities also published Joint Communication 4 of 2021 on 16 August 2021, which was accompanied by an implementation roadmap, a request for information and a set of application requirements for the use of specific modelled approaches, due to the Authorities by 1 December 2021. Furthermore, the Authorities also issued Joint Notice 1 of 2022, to extend the phase-in periods referred to in paragraphs 4.2(3) and 5(3)(b) of the Joint Standard.

Considering the implementation of the Joint Standard, the Authorities find it necessary to make amendments to Joint Standard pertaining to:

- (a) provisions to enable reporting from providers as well as financial institutions that are counterparties as defined in the Joint Standard;
- (b) provisions enabling the imposition of appropriate risk mitigation requirements by providers wanting to make use of non-cash collateral;
- (c) refinements to the provisions on quantitative portfolio margin models to clarify the application requirements on the historical data utilised for calibration are applicable to the entire identified period of historical data to be utilised for calibration purposes on the quantitative portfolio margin model;
- (d) refinements on the phasing-in of initial margin requirements to align with dates communicated in Joint Notice 1 of 2022; and
- (e) aligning the terminology in the Joint Standard to that of the Financial Sector Regulation Act, 2017 (FSR Act).

The Authorities have today published the following documentation in terms of the provisions of section 98 of the FSR Act:

- (a) the amendment notice - Annexure A;
- (b) the Statement of need for, intended operation and expected impact (Statement) - Annexure B;
- (c) the comment template – Annexure C; and
- (d) a marked-up version of the Joint Standard - Annexure D.

Comments on the amendment notice and Statement must be made using the comment template and submitted via email to FSCA.RFDStandards@fsc.co.za for the attention of Ms Lezanne Botha and PA-Standards@resbank.co.za for the attention of Mrs Kalai Naidoo.

Comments are due on or before **25 July 2022**. Any enquiries on this Joint Communication may also be sent to the aforementioned e-mail addresses.



Unathi Kamlana
Commissioner
FINANCIAL SECTOR CONDUCT AUTHORITY

DATE:

Fundi Tshazibana
Chief Executive Officer
PRUDENTIAL AUTHORITY

DATE: