



Reference: Guideline for Banks/FBB/BHC/
T&L/ CCA/CRA/Life/P&C/IHC

February 24, 2017

To: Banks
Foreign Bank Branches
Bank Holding Companies
Trust and Loan Companies
Co-operative Credit Associations
Co-operative Retail Associations
Life Insurance Companies
Property and Casualty Insurance Companies
Insurance Holding Companies

Subject: Guideline E-22 Margin Requirements for Non-Centrally Cleared Derivatives

In February of 2016, OSFI issued the final version of Guideline E-22 *Margin Requirements for Non-Centrally Cleared Derivatives*. Under this Guideline, most Federally Regulated Financial Institutions meeting the definition of a covered entity (Covered FRFIs) are subject to the mandatory exchange of variation margin beginning on March 1, 2017. This implementation date is in line with several major global peers and consistent with the internationally agreed timelines from the Basel Committee on Banking Supervision and the International Organization of Securities Commissions.

In order to meet the March 1 deadline, Covered FRFIs may need to execute new or amend existing credit support documentation with all or most of their Covered Counterparties which is taking considerable effort on the part of the industry in all affected countries.

OSFI is aware of the transitional measures taken in other major jurisdictions in order to avoid causing substantial disruptions to the derivatives market. Given the global nature of this market, OSFI recognizes that a harmonized implementation of the variation margin requirements would be helpful in ensuring a level playing field and a stable derivatives market for Canadian FRFIs.

OSFI expects Covered FRFIs to prioritize meeting the requirements of Guideline E-22 on the exchange of variation margin (including executing new or amending existing credit support documentation) with the counterparties to whom they have the greatest exposure (in terms of size of both the credit and market risk inherent in those counterparty exposures).

For all counterparties to which a Covered FRFI has a significant exposure, OSFI expects Covered FRFIs to meet the requirements of Guideline E-22 on the exchange of variation margin by March 1, 2017.



For in-scope transactions with other Covered Counterparties, OSFI expects Covered FRFIs to meet the requirements of Guideline E-22 on the exchange of variation margin as soon as possible, and in no case later than September 1, 2017.

OSFI expects institutions to track their progress in meeting the requirements of Guideline E-22 on the exchange of variation margin and provide OSFI with status updates as requested.

Questions regarding Guideline E-22 should be directed to Patrick Tobin, Capital Division by email at patrick.tobin@osfi-bsif.gc.ca.

Yours truly,

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