

FINMA Guidance

04/2019

Financial Market Infrastructure Ordinance: exchange of collateral / extension of transitional period for equity options

13 December 2019

With the introduction of the FMIA/FMIO in Switzerland on 1 January 2016, a duty to exchange collateral for non-centrally cleared OTC derivatives was introduced. In line with EU law, a new transitional period was established in summer 2017 in the course of the partial revision of the FMIO. Accordingly, under Article 131 para. 5bis FMIO the duty to exchange collateral applies from 4 January 2020 for non-centrally cleared OTC derivatives transactions that are options on individual equities or index options.

In the EU, in their draft Regulatory Technical Standards and report published on 5 December 2019¹ the ESAs² proposed extending the transitional period by one year, from 4 January 2020 to 4 January 2021, for the duty to exchange collateral for non-centrally cleared OTC derivatives transactions that are options on individual equities or index options.

FINMA is therefore also extending the transitional provision specified in Article 131 para. 5bis FMIO from 4 January 2020 to 4 January 2021 based on Article 131 para. 6 FMIO. The duty to exchange collateral now applies from 4 January 2021 for non-centrally cleared OTC derivatives transactions that are options on individual equities, index options or similar equity derivatives such as derivatives on baskets of equities.

FINMA is thus contributing to the harmonisation of the Swiss regulatory framework for OTC derivatives trading with international standards.

¹ Final Report 5 December 2019| ESAs 2019 20: EMIR RTS on various amendments to the bilateral margin requirements in view of the international framework: <https://www.esma.europa.eu/press-news/esma-news/emir-rts-various-amendments-bilateral-margin-requirements-and-joint-statement> .

² European Supervisory Authorities, namely the EBA, EIOPA and ESMA.