



28 August 2019

Mr John Lonsdale
Deputy Chair
APRA
1 Martin Place
SYDNEY NSW 2000

By email: PolicyDevelopment@apra.gov.au

Dear Mr Lonsdale

Consultations on margining and risk mitigation for non-centrally cleared derivatives

Thank you for the opportunity to provide a written submission on the amendments to margin requirements in your 14 August 2019 letter (the letter) to regulated entities.¹

With the active participation of its member banks in Australia, the Australian Banking Association (ABA) provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and community. It strives to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

The ABA supports APRA's amendments to Prudential Standard CPS 226 Margining and risk mitigation for non-centrally cleared derivatives (CPS 226) as proposed in your letter. The ABA agrees that making these amendments will better align the CPS 226 with the proposed BCBS IOSCO amendments released in July 2019² and statements made in March 2019.³

The ABA considers that the extended timeline will assist banks to make an orderly implementation of the margin requirements consistently internationally and help avoid market fragmentation. Further, the amendments to the list of foreign bodies who margin requirements are approved for substituted compliance ensures it will be updated to reflect any regulatory changes associated with the UK leaving the European Union.

The ABA also welcomes APRA's clarification regarding an initial margin threshold and LIBOR reforms in line with the BCBS IOSCO update issued in March 2019.

Yours sincerely

Karen O'Brien
Policy Director

¹APRA 14 August 2019, *Letter to all APRA-regulated institutions other than private health insurers*.

https://www.apra.gov.au/sites/default/files/letter_consultation_on_amendments_to_margin_requirements_august_2019.pdf

²Basel Committee on Banking Supervision and International Organization of Securities Commission, *Margin Requirements for non-centrally cleared derivatives* (Standard, July 2019) <https://www.bis.org/bcbs/publ/d475.pdf>

³Basel Committee on Banking Supervision and International Organization of Securities Commission, *BCBS/IOSCO statement on the final implementation phases of the Margin requirements for non-centrally cleared derivatives*, (Press release 5 March 2019) <https://www.bis.org/press/p190305a.htm>



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