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UK Rules on Margin Requirements for Non-Centrally Cleared Derivatives

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In Consultation Paper 13/23 (CP 13/23), the UK's Prudential Regulation Authority ("PRA") sets out its "Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251."

- *Temporary exemptions from bilateral margining requirements*: The PRA and the UK's Financial Conduct Authority ("FCA") are extending the temporary exemptions for single-stock equity options and index options from UK bilateral margining requirements until 04 January 2026. The PRA and the FCA will use this extension to gather evidence to create a permanent regime for the UK outside the EU. As a reminder, requirements for the exchange of initial and variation margin for uncleared derivatives were introduced in the UK via the onshored Regulation (EU) 648/2012 on OTC derivatives, central counterparties, and trade repositories (UK European Market Infrastructure Regulation ("EMIR)). The PRA has primarily taken this decision in light of the maintenance of the exemption in a number of other jurisdictions.

- *Model pre-approval:* The FCA and PRA have elected not to amend the FCA's current supervisory framework for the bilateral initial margin models by requiring formal pre-approval. This is due to the fact that international standards for initial margin models have developed sufficiently, and pre-approval is just one element of model supervision in a UK regime that already sets out detailed and prescriptive modelling requirements.