

The phased-in approach to the Russian OTC derivatives market reform

To comply with the decisions made by the Group of 20 aimed at increasing the global financial market stability, the Bank of Russia published two consultation reports. The final reports contain the regulator's view regarding key aspects of the OTC derivatives market reform in Russia. In December 2016, the Bank of Russia published the [final report](#) on mandatory central clearing of standardised OTC derivatives. In December 2017, the Bank of Russia published the [final report](#) on mandatory margining of non-centrally cleared OTC derivatives.

According to these reports, the first phase for mandatory central clearing of OTC swap contracts, with particular interest rates being the reference asset, was scheduled for 2018, while the first phase for mandatory margining of non-centrally cleared OTC derivatives, was scheduled for 2019.

Over the period of 2017–2018 the Bank of Russia was monitoring the Russian OTC derivatives market performance. Pursuant to the data from the repository of National Settlement Depository, 1,667 interest rate OTC derivatives nominated in Russian rubles (interest rate OTC derivatives) were made from January 1, 2017 to June 30, 2018. The aggregate notional amount of these transactions does not exceed 7 trillion Russian rubles.

In November 2018, the Financial Stability Board, the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures and the International Organization of Commissions Securities issued a joint report "[Incentives to centrally clear over-the-counter \(OTC\) derivatives](#)" (hereinafter referred to as "the Joint Report"). Overall, the Report highlights the positive impact of the global OTC derivatives market reform on the maintenance of financial stability. However, the Joint Report also points out as an issue the costs of central clearing for financial market participants engaged in smaller volumes and/or values of OTC derivatives activity.

Taking into account the Joint Report, as well as the observed performance of the Russian market of interest rate OTC derivatives, the Bank of Russia considers

appropriate to postpone the phased-in start of the regulation described in its final reports: regarding central clearing – to the second half of 2019, regarding margining – to the second half of 2020.