

Chapter 1

Commission Delegated Regulation (EU) 2016/2251

Article 8 Concentration limits for initial margin

(1) Where collateral is collected as initial margin in accordance with Article 13, the following limits shall apply for each collecting counterparty:

(a) the sum of the values of the initial margin collected from the asset classes referred to in points (b), (f), (g), and (l) to (r) of Article 4(1) issued by a single issuer or by entities which belong to the same group does not exceed the greater of the following values:

(i) 15 % of the collateral collected from the posting counterparty;

(ii) EUR 10 million or the equivalent in another currency;

(b) the sum of the values of the initial margin collected from the asset classes referred to in points (o), (p) and (q) of Article 4(1), where the asset classes referred to in points (p) and (q) of that Article are issued by institutions as defined in Regulation (EU) No 575/2013, does not exceed the greater of the following values:

(i) 40 % of the collateral collected from the posting counterparty;

(ii) EUR 10 million or the equivalent in another currency.

The limits laid down in the first subparagraph shall also apply to shares or units in UK UCITS where the UK UCITS primarily invests in the asset classes referred to in that subparagraph.

(2) Where collateral is collected as initial margin in accordance with Article 13 in excess of EUR 1 billion and each of the counterparties belong to one of the categories listed in paragraph 3, the following limits to the amount of initial margin in excess of EUR 1 billion collected from a counterparty shall apply:

(a) the sum of the values of the initial margin collected from the asset classes referred to in points (c) to (l) of Article 4(1) issued by a single issuer or by issuers domiciled in the same country shall not exceed 50 % of the initial margin collected from that counterparty;

(b) Where initial margin is collected in cash, the 50 % concentration limit referred to in point (a) shall also take into account the risk exposures arising from the third-party holder or custodian holding that cash.

(3) The counterparties referred to in paragraph 2 shall be one of the following:

(a) institutions identified as G-SIIs in accordance with Part 4 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014;

(b) institutions identified as O-SIIs in accordance with Part 5 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014 ;

(c) counterparties which are not pension scheme arrangements and for which the sum of the values of the collateral to be collected exceeds EUR 1 billion.

(4) Where collateral is collected as initial margin in accordance with Article 13 in excess of EUR 1 billion by or from a pension scheme arrangement, the collecting counterparty shall establish procedures to manage concentration risk with respect to collateral collected from the asset classes referred to in points (c) to (l) of Article 4(1), including adequate diversification of that collateral.

(5) Where institutions referred to in points (a) and (b) of paragraph 3 collect initial margin in cash from a single counterparty that is also an institution referred to in those points, the collecting counterparty shall ensure that not more than 20 % of that initial margin is held by a single third-party custodian.

(6) Paragraphs 1 to 4 shall not apply to collateral collected in the form of financial instruments that are the same as the underlying financial instrument of the non-centrally cleared OTC derivative contract.

(7) The collecting counterparty shall assess compliance with the conditions laid down in paragraph 2 of this Article at least every time that initial margin is calculated in accordance with Article 9(2).

(8) By way of derogation from paragraph 7, a counterparty referred to in points (a), (b) and (c) of Article 2(10) of Regulation (EU) No 648/2012 may assess compliance with the conditions laid down in paragraph 2 quarterly, provided that the amount of initial margin collected from each individual counterparty is at all times below EUR 800 million during the quarter preceding the assessment.