

## Mainland China Publishes Margin Rules

January 2025



### Introduction

On 6 January 2025, the National Financial Regulatory Administration (the “**NFRA**”) of the People’s Republic of China (the “**PRC**” or “**Mainland China**”) published the Administrative Measures on Margin Requirements for Non-centrally Cleared Derivatives Transactions of Financial Institutions (the “**NFRA Margin Rules**”) <sup>1</sup>. These long-awaited rules introduce mandatory margin requirements for in-scope non-centrally cleared derivative transactions in Mainland China, a requirement which has applied for a number of years in many international markets.

The Futures and Derivatives Law of the PRC enacted in 2022 provided a modern and robust statutory framework for the development of the futures and OTC derivatives markets in Mainland China. With the introduction of the NFRA Margin Rules, the Chinese derivatives market is on the cusp of an important evolutionary milestone. Previously market participants in a number of foreign jurisdictions were able to rely on exemptions in their home jurisdiction margin rules when transacting with PRC counterparties on the basis that the PRC was a “non-netting jurisdiction”. Going forward, PRC will constitute a clean netting jurisdiction and foreign counterparties will have to start assessing their regulatory margin compliance when transacting with PRC counterparties. With the transition period in other jurisdictions having passed and the NFRA Margin Rules commencing, the OTC market in Mainland China will be subject to mandatory margining like other international markets.

The NFRA Margin Rules will come into effect on 1 January 2026, with the requirements for variation margin (“**VM**”) and initial margin (“**IM**”) introduced in phases. VM requirements will be implemented from 1 September 2026, and IM requirement in three phases between 1 September 2027 and 1 September 2029.

The NFRA Margin Rules align with global standards for margin requirements for non-centrally cleared derivatives, as set out in the BCBS-IOSCO Margin Framework. We highlight in this Bulletin the major aspects of the NFRA Margin Rules and some questions about the application of the rules.

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<sup>1</sup> See official announcement of NFRA:  
<https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1193890&itemId=928>.

## Who is in Scope?

### In-Scope Entities (*Article 2*)

The margin requirements will apply to (i) banking financial institutions (such as commercial banks including foreign invested banks and onshore branches of foreign banks); (ii) insurance financial institutions such as insurance group holding companies, insurance companies and insurance asset management companies; (iii) financial holding companies that are regulated by the NFRA and its local offices, along with (iv) the asset management products issued by these entities (“**In-Scope Entities**”).

### Banking financial institutions

Banking financial institutions require a license to engage in the business of entering into derivatives transactions. In addition to commercial banks typically regulated by the NFRA, some other entities such as financial assets management companies, trust companies, corporate group financial companies, financial leasing companies, wealth management companies are also required to obtain derivatives licences from NFRA and to comply with the same rules with commercial banks for conducting derivatives transactions. Therefore, in practice, the scope of “banking financial institution” regulated by the NFRA is much broader and is not limited to commercial banks<sup>2</sup>, but it is unclear from the prevailing laws and rules whether these entities will also be In-Scope Entities.

### Insurance financial institutions

There is no definition of “insurance financial institutions” provided in statute. But we note that the NFRA Margin Rules were addressed to, among others, insurance group holding companies, insurance companies and insurance asset management companies, which would indicate that these entities would be In-Scope Entities.

### Asset management products

A special feature under the NFRA Margin Rules is that an asset management product issued by banking financial institutions, insurance financial institutions or financial holding companies can constitute an In-Scope Entity. Under PRC law, although such products are not legal entities, they have the capacity to enter into contracts. However, this raises interesting questions on how margin should be collected by an asset management product, and how it would comply with the various ongoing compliance requirements under the NFRA Margin Rules given it is not a legal entity. In practice, it is unlikely that an asset management product will have a sufficiently high volume of derivatives transactions to exceed the relevant AANA threshold<sup>3</sup> so as to trigger margin rule compliance.

### CSRC regulated entities

Notably, the NFRA is the regulator for the banking and insurance sectors of the financial industry. The securities sector is separately regulated by China Securities Regulatory Commission (“**CSRC**”). As such, the NFRA Margin Rules do not apply to securities companies, funds companies and futures companies which are not subject to regulation by the NFRA.

We expect that the CSRC may in the future publish a corresponding set of margin rules for securities and futures business entities. It remains to be seen when this will be done and how the rules will compare with the NFRA Margin Rules.

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<sup>2</sup> See *Banking Financial Institutions Legal Entities List* as of June 2024 published on 4 September 2024:

<https://www.nfra.gov.cn/cn/view/pages/governmentDetail.html?docId=1177824&itemId=863&generalType=1>

<sup>3</sup> AANA threshold refers to the aggregate average notional amount threshold, the minimum volume of trades which would trigger the margin requirements. Please refer to the Appendix for a description of the AANA threshold under the NFRA Margin Rules.

## Counterparties (Articles 4 & 5)

### Where the counterparty is not an In-Scope Entity

If the counterparty is:

- > a non-financial entity with AANA exceeding RMB 60 billion; or
- > a financial entity but not an In-Scope Entity,

the In-scope Entity should collect margin from the counterparty but is not required to post margin (i.e. IM and VM). This differs from margin rules in most international markets where the requirement is to both post and collect margin. The In-Scope Entity may, of course, choose to post IM and/or VM even though it is not required to under the NFRA Margin Rules.

### Where the counterparty is also an In-Scope Entity

If an In-Scope Entity transacts with another In-Scope Entity, both parties will be required to collect IM and VM. In effect, the parties would be exchanging IM, on a two-way gross basis with no netting of IM amounts, which would be similar to international practice.

## Exemptions (Articles 5 & 6)

### Exemption for genuine risk hedging transactions

If (i) the counterparty is a non-financial entity and (ii) the derivatives transactions are compatible with the risk-bearing capacity of such non-financial entity and are entered into for genuine risk-hedging purposes, the VM and IM requirements do not apply. The In-Scope Entity will not be required to collect margin from the counterparty. The In-Scope Entity will need to take reasonable steps to satisfy itself on the risk compatibility and purpose of the counterparty if it is seeking to rely on the exemption. It will be interesting to see what due diligence and/or representations In-Scope Entities will require to satisfy themselves.

However, if the compatibility and purpose conditions in paragraph (ii) cannot be established, and the counterparty's AANA exceeds RMB 60 billion (calculated on a group basis at the end of March, April and May of the most recent year), the In-scope Entity will be required to collect margin from the counterparty.

### Exempt entities

The following parties are exempt entities/exempt counterparties in respect of both IM and VM: central banks, government organisations, public sector entities, multilateral development banks, the Bank for International Settlement, and Chinese policy banks (i.e. China Development Bank, Export-Import Bank of China, and Agricultural Development Bank of China).

An In-Scope Entity transacting with any of the above counterparties is not required to collect IM or VM .

### Other exempt transactions

Additionally, the following transactions are exempted from IM and VM requirements:

- > non-centrally cleared derivatives transactions entered into by corporate group financial companies on behalf of the group and its members for genuine risk-hedging purposes; and
- > intra-group transactions.

In practice, a corporate group financial company is typically a banking financial institution that conducts derivatives transactions for and on behalf of its non-financial group members. As discussed above, transactions by non-financial entities entered into for genuine risk hedging purpose may be exempt from the margin requirements. Accordingly, it is reasonable that hedging transactions entered into through a corporate group financial company would be similarly exempted.

## What Products are In-Scope?

### In-Scope Products and Exempted Products (*Articles 3 & 7*)

The NFRA Margin Rules apply to all non-centrally cleared derivative products including forwards, swaps, options and their combinations, save for the following four types of products which are exempted from IM requirements:

- > physically-settled FX forwards and swaps;
- > physically-settled gold forwards and swaps;
- > fixed physically-settled FX transactions associated with the exchange of principal of cross-currency swaps; and
- > trades that do not have counterparty credit risk.

This is similar to the EU EMIR and UK EMIR rules but is slightly different from the margin requirements under most of the other major jurisdictions (such as Hong Kong, Japan, Singapore, Australia and the United States) where physically-settled FX forwards and swaps and fixed physically-settled FX transactions associated with the exchange of principal of cross-currency swaps are exempted from VM requirements as well.

## How to Collect Margin

### Eligible Collateral (*Articles 18 & 32*)

Margin can be collected in the form of any Eligible Collateral, which includes cash, Chinese government bonds, gold, high-quality bonds.<sup>4</sup>

Financial Institutions are encouraged to use RMB assets as collateral and to use margin measurement models that objectively and reasonably reflect the volatility of RMB assets.

### Segregation of IM and Reuse of VM (*Articles 22 & 25*)

In line with international market practice, IM should be managed by a “qualified” third-party custodian and should be effectively segregated from the IM collector’s proprietary assets, the assets of the third-party custodian and the collateral the custodian manages for other counterparties. VM can be managed by parties or custodied with a qualified third-party custodian. IM is not allowed to be re-pledged or reused, but VM can be re-pledged or reused.

However, the NFRA Margin Rules do not specify the criteria for a “qualified” custodian, so it is unclear whether international central securities depositories such as Euroclear, Clearstream and bank custodians can act as qualified custodians.

### Initial Margin Model (*Articles 14 & 19*)

The amount of IM which should be collected may be calculated by reference to either (i) a standardised margin schedule, or (ii) a margin model. A financial institution can use an eligible initial margin model internally or sourced from a third party (such as the ISDA SIMM™ model), subject to prior approval from the NFRA or its local offices.

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<sup>4</sup> “Eligible Collateral” includes the following assets:

- > Cash;
- > Chinese government bonds issued by Ministry of Finance, notes issued by the People's Bank of China, and bonds and notes issued by China's policy banks;
- > Bonds issued by China's provincial level governments;
- > High-quality bonds issued by other national or regional governments and their central banks, sovereign-equivalent public sector entities, Bank for International Settlement, the International Monetary Fund, the European Central Bank, the European Union, the European Stability Mechanism and the European Financial Stability Mechanism, and multilateral development banks;
- > High-quality corporate credit bonds;
- > High-quality financial bonds;
- > Gold;
- > Other eligible collateral recognised by the NFRA.

## **Cross Border Transactions**

### **Substituted Compliance (Article 29)**

Substituted compliance is permitted for cross-border transactions with a comparable jurisdiction whose margin requirements are consistent with the BCBS-IO스코 Margin Framework, and consistent with or more prudential than the NFRA Margin Rules.

No comparability assessment has been completed for any jurisdiction for the purposes of the NFRA margin rules yet, and neither the NFRA nor any other PRC government has issued any comparability determination. The In-Scope Entity seeking to apply substituted compliance will need to take steps to satisfy itself that the relevant jurisdiction is indeed comparable to the BCBS-IO스코 rules.

### **Offshore Branches (Article 29)**

The NFRA has helpfully confirmed that an offshore branch of PRC financial institutions can apply the margin requirements of the host jurisdiction in which the branch is situated. However, there is no express requirement that the host jurisdiction has to satisfy the comparability assessment.

Note that OTC derivatives conducted in the CIBM market will be deemed to be PRC onshore trades.

### **Non-Netting Jurisdictions and Non-Segregation Jurisdictions (Article 30)**

The margin requirements do not apply when In-Scope Entities transact with counterparties located in non-netting jurisdictions or non-enforceable collateral jurisdictions. Instead, In-Scope Entities have to put in place appropriate internal procedure to monitor and control the risks of relevant exposures to ensure that the proportion of (x) the sum of the notional amounts of the non-collateralized transactions entered into and still outstanding after the effective date of the relevant IM and/or VM requirement, to (y) the sum of the notional amounts of all outstanding OTC derivatives of the group to which the In-Scope Entity belongs, is less than 2.5 percent. It is unclear from the NFRA Margin Rules whether intra-group transactions can be carved out for such calculation.

### **Compliance with foreign regimes (Article 31)**

Financial institutions are required to keep abreast of and comply with applicable regulations in foreign jurisdictions such as the margin requirements, the legality and enforceability of netting agreements and collateral agreements.

The NFRA Margin Rules do not mandate obtaining formal legal opinions from an independent internal unit or an external independent legal counsel to establish whether a counterparty is located in a non-netting jurisdiction, or whether arrangements for the protection of posted collateral are sufficient or legally enforceable.

## **Other Requirements**

### **Risk Mitigation Measures - Dispute Resolution (Articles 26 & 28)**

An In-scope Entity should agree with its counterparties the margin approach of IM, the method for determining valuation percentage and haircut of eligible collaterals as VM and IM, as well as how disputes arising from discrepancy of margin should be resolved.

Similar to other jurisdictions, the NFRA Margin Rules also contain risk mitigation standards for In-Scope Entities. In respect of dispute resolution, In-Scope Entities are obliged to keep a record of the dispute period, the counterparties, and the disputed amounts arising from the NFRA Margin Rules. Where a margin dispute with a specific counterparty continues for more than 15 business days and the disputed amount exceeds RMB100 million (or its equivalent in other currencies), such dispute must be escalated and reported internally in accordance with internal policies and procedures of the financial institution.

### **Changes in In-Scope Entity Status (Article 34)**

Where the AANA of an In-Scope Entity decreases below the relevant threshold, it ceases to be subject to IM requirements from the following 1 September until the 1 September of the year when it crosses the relevant threshold again.

### Legacy Trades and Amendments (Article 35)

The NFRA Margin module provides that genuine and non-material amendments to legacy trades will not be subject to margin requirements. On the other hand, any amendment that substantially changes the terms and conditions of a trade needs to be considered as a new contract. In addition, any amendment that extends a legacy trade for the purpose of avoiding the margin provisions needs to be considered as a new contract.

However, parties may of course agree to apply the margin rules to legacy trades on a voluntary basis.

### The Way Forward

#### Effective Dates and Phasing-in Schedule (Article 33)

The commencement date of the NDFR Margin Rules is 1 January 2026. VM requirements apply to all in-scope non-centrally cleared derivatives entered into on or after 1 September 2026 with no transitional period.

IM requirements will apply to transactions entered into on or after 1 September 2027, in phases depending on whether both parties' AANA<sup>5</sup> for the end of March, April, and May preceding the relevant 1 September commencement date exceeds the following thresholds:

Threshold	Phase-in Date
RMB 500 billion	1 September 2027
RMB 300 billion	1 September 2028
RMB 60 billion	1 September 2029

#### Internal Controls and Procedures

With the publication of the NFRA Margin Rules and its implementation time-table, In-Scope Entities should consider and make appropriate enhancements to their internal controls and procedures and in particular have regard to the following:

- > management of their AANA thresholds and derivative exposures;
- > timing and effect on counterparty for compliance with overseas margin rules; and
- > how the ISDA SIMM™ model can be adopted for PRC margin rules.

#### Documentation and Other Arrangements

In terms of margin documentation for derivative transactions, we understand that some PRC banks have in place a ISDA VM CSA and IM documentation with international counterparties. Parties may wish to start applying the NFRA Margin Rules as one of the applicable regimes in their negotiations, even prior to the relevant phase-in application dates of the NFRA Margin Rules, so as avoid having to re-open negotiations later. For the domestic market, it is expected that NAFMII will compile and publish standard margin agreements for market participants. We expect that the relevant securities depositories such as China Central Depository & Clearing Co., Ltd. and Shanghai Clearing House will also take the lead to put in place arrangements to accommodate the use of RMB denominated bond instruments for margin purposes.

<sup>5</sup> AANA shall cover all non-cleared OTC derivatives including physically-settled FX forward and swap, physically-settled gold forward and swap, etc.

## Key Takeaways

Mandatory margin requirements have the potential to increase transactional costs for the PRC market, but the NFRA Margin Rules should not be unduly burdensome. Taking into account the hedging exemption, and the generous AANA threshold of RMB60 billion, most transactions with corporates should not be subject to margin requirements. We envisage that the NFRA Margin Rules will principally impact transactions with larger In-Scope Entities, who are more likely to be systemically important to the PRC market. In any event, the relatively long implementation timeline does provide ample time for market participants to prepare for the new regulatory requirements.

The NFRA Margin Rules are largely equivalent to the BCBS-IOSCO Margin Framework and align with international market standards. For more details of the NFRA Margin Rules, we have set out in the table in the Appendix a comparison with other major jurisdictions.

## About Linklaters Zhao Sheng

Linklaters Zhao Sheng have helped our clients at all stages of implementation of IM and VM arrangements from preparation and planning to drafting and negotiation. We have coverage of margin requirements in the **UK**, **EU**, **US**, **Japan**, **Hong Kong**, **Singapore**, **Australia** and the **PRC**. Our experience with IM/VM implementation is extensive which includes: acting as drafting counsel to ISDA on the “**Next Gen**” IM documentation now used by all major counterparties throughout the globe; advising a significant number of **Phase 1 through 6** firms on regulatory margin implementation globally and in Asia; and partnering with ISDA to develop **ISDA Create**, which is an online tool that allows firms to electronically negotiate IM documentation. Click [here](#) for more information on Linklaters Zhao Sheng’s IM/VM experience.

## Appendix

### High-level comparison of key aspects of the PRC Margin Rules against other major margin rules

	NFRA Margin Rules	Hong Kong (HKMA rules)	EU EMIR	U.S. (PR Rules)
<b>In-scope entities</b> (BCBS-IOSCO Key principle 2: Requirement 2.4 and 2.6)	(1) Banking financial institutions, (2) insurance financial institutions, (3) financial holding companies that are regulated by the NFRA and its local offices, and (4) the asset management products issued by the preceding entities (each a “ <b>Financial Institution (FI)</b> ” under the NFRA Margin Rules)	(1) <b>Locally incorporated AIs</b> ; and (2) <b>AIs incorporated outside Hong Kong</b> to the extent the relevant non-centrally cleared derivatives are booked in the Hong Kong branch	Financial counterparties (“ <b>FCs</b> ”) <sup>6</sup> , or Non-financial counterparties that are above any of the clearing thresholds (“ <b>NFC+s</b> ”) <sup>7</sup>	A “ <b>Covered Swap Entity</b> ”, namely an entity that is regulated by one of the Prudential Regulators, is registered as a swap dealer, major swap participant, security-based swap dealer or major security-based swap participant, and that enters into a swap or security-based swap not cleared through a clearing house
<b>Covered counterparties</b> <sup>8</sup>	(i) FIs; (ii) other financial counterparties not designated by NFRA as FIs, (iii) significant non-financial counterparty	(i) a <b>Financial Counterparty</b> <sup>9</sup> , (ii) a <b>Significant Non-Financial Counterparty</b> <sup>10</sup> or (iii) an entity designated by the HKMA	Must be (i) an <b>FC</b> (ii) an <b>NFC+</b> or (iii) a third country entity (“ <b>TCE</b> ”) that would be an FC or an NFC+ if it were established in the EU	Must be a (i) “ <b>Covered Swap Entity</b> ” or a (ii) “ <b>financial end user</b> ” <sup>11</sup> unless its average aggregate notional amount of non-cleared swaps, non-cleared security swaps, FX forwards and FX swaps with all counterparties for June, July, August of the previous calendar year (calculated only for business days) does not exceed USD8 billion
<b>In-scope products</b> (Key principle 1: Requirement	Non-centrally cleared derivatives, including but not limited to forwards, swaps, options or	“Non-centrally cleared derivatives”, i.e. OTC derivative products that are not cleared through a CCP, excluding the exempt	Non-centrally cleared OTC derivative contracts	All “swaps” and “security-based swaps” not cleared with a registered or exempt derivatives clearing organisation or clearing

<sup>6</sup> “**FC**” means (i) an authorised investment firm, an authorised credit institution, (iii) an authorised insurance undertaking, (iv) an authorised reinsurance undertaking, (v) an undertaking for collective investments in transferable securities (“**UCITS**”) and, where relevant, its management company, except a UCITS that is set up for the purpose of serving one or more employee share purchase plans, (vi) an occupational retirement provision, (vii) an alternative investment fund (“**AIF**”) which is either established in the EU or managed by an alternative investment fund manager (“**AIFM**”), and (viii) a central securities depository.

<sup>7</sup> “**NFC+**” means an undertaking established in the EU other than an FC or a central counterparty (an “**NFC**”), which is above any of the clearing thresholds referred to in Article 10 of EMIR or who chooses not to make a calculation as to whether they are above/below any threshold.

<sup>8</sup> Note that there are typically exemptions under each margin regime for sovereigns, central banks, public sector entities, multi-lateral development banks and the Bank for International Settlements. Specifically, under the PRC Margin Rules, policy banks in China are also be exempted from the requirements on IM and VM.

<sup>9</sup> “**Financial Counterparty**” is a wide definition that includes banks (AIs), licensed corporations, pension schemes, money lenders, private equity funds, collective investment schemes and certain special purpose entities, except where the special purpose entity enters into non-centrally cleared derivatives transactions for the sole purpose of hedging in each case for a one-year period from 1 September each year to 31 August of the following year, if the entity itself or its group has an AANA of non-centrally cleared derivatives exceeding HKD15 billion.

<sup>10</sup> “**Significant Non-Financial Counterparty**” means an entity other than a Financial Counterparty for a one-year period from 1 September each year to 31 August of the following year, if the entity itself or its group has an AANA of non-centrally cleared derivatives exceeding HKD60 billion.

<sup>11</sup> A **financial end user** is generally (i) a U.S. or foreign bank, or a supervised bank holding company, (ii) an entity that engages in financial activities (e.g., lending, securities and derivatives trading, insurance, asset management, and advisory service) that make it subject to registration or chartering requirements under U.S. federal or state law; (iii) an investment fund (including private funds which claim exemption from U.S. registration such as hedge funds and private equity funds, U.S. commodity pools, and public registered funds such as U.S. mutual funds) and U.S. public and private pensions; (iv) a firm that trades in financial instruments for investors, clients or with its own money (including high frequency trading firms).

	NFRA Margin Rules	Hong Kong (HKMA rules)	EU EMIR	U.S. (PR Rules)
1.1)	their combinations	products		agency
<b>Exempt products</b> (Key principle 1: Requirement 1.2)	<p>The following products are exempted from the exchange of IM:</p> <ul style="list-style-type: none"> <li>physically-settled FX forwards and swaps;</li> <li>physically-settled gold forwards and swaps;</li> <li>fixed physically-settled FX transactions associated with the exchange of principal of cross-currency swaps;</li> <li>trades that do not have counterparty credit risk</li> </ul>	<ul style="list-style-type: none"> <li>Indirectly cleared derivatives;</li> <li>Physically-settled FX forwards and FX swaps and the FX transactions embedded in cross-currency swaps associated with the exchange of principal;</li> <li>Physically-settled commodity forwards;</li> <li>Repurchase agreements and securities lending transaction that are not themselves derivatives.</li> </ul> <p>Margin requirements for equity options (single stock options, equity basket options and equity index options) are deferred until 4 January 2026</p>	<ul style="list-style-type: none"> <li>FX forwards, FX swaps Currency swaps.</li> </ul> <p>Note that margin requirements for equity options (both single stock equity options and index options) are deferred until 4 January 2026</p>	<ul style="list-style-type: none"> <li>FX spots, physically-settled FX forwards and physically-settled FX swaps;</li> <li>Options and forwards based on a broad index of securities;</li> <li>Securities linked to an underlying index, commodity or reference asset; and</li> <li>The exchange of principal in cross-currency swaps (but not the interest rate component of cross-currency swaps)</li> </ul>
<b>Exemptions for trading with corporates that use derivatives for risk-hedging positions</b>	Yes, in respect of non-financial entities and corporate group financial companies as counterparties.	Yes.	Yes, for OTC derivatives associated with covered bonds, where the derivative contract is used only to hedge the interest rate or currency mismatches of the cover pool in relation to the covered bond are out-of-scope, and where certain other requirements are met.	Yes, for treasury companies whose primary business is providing financing, and uses derivatives for the purpose of hedging underlying commercial risks related to interest rate and foreign currency exposures (subject to conditions).
<b>Posting and/or collecting of Margin</b>	<p><b>IM:</b> Posted/collected on a bilateral and gross basis</p> <p><b>VM:</b> Posted/collected on a bilateral and net basis</p> <p>Except where the counterparty is</p> <ul style="list-style-type: none"> <li>&gt; a non-financial entity with AANA exceeding RMB 60 billion, or</li> <li>&gt; a financial entity nevertheless not falling within the categories of FIs, the FIs should collect but is not required to</li> </ul>	<p><b>IM:</b> On a bilateral and gross basis</p> <p><b>VM:</b> On a bilateral and net basis</p>	<p><b>IM:</b> On a bilateral and gross basis</p> <p><b>VM:</b> On a bilateral and net basis</p>	<p><b>IM:</b> On a bilateral and gross basis</p> <p><b>VM:</b> On a bilateral and net basis</p>

	NFRA Margin Rules	Hong Kong (HKMA rules)	EU EMIR	U.S. (PR Rules)
	post.			
<b>Trades where the covered counterparty in a non-netting or non-enforceable collateral jurisdiction</b> <i>(Key principle 3: Requirement 3 and Commentary (3)(ii))</i>	<p>Margin is not required to be exchanged when FIs trade with counterparties located in non-netting jurisdictions or non-enforceable collateral jurisdictions.</p> <p>FIs need to put in place appropriate internal procedure to monitor and control the risks of relevant exposures to ensure certain ratios are met.</p>	<p>IM is not required to be exchanged with counterparties located in non-netting jurisdictions or non-enforceable collateral jurisdictions.</p>	<p>Margin is not required to be posted to but is required to be collected from the Foreign Counterparty on a gross basis, unless certain conditions are met.</p>	<p>IM shall be posted by the Foreign Counterparty on a gross basis, but may be posted by the other party on a net basis.</p>
<b>IM Segregation requirement (Key principle 5: Requirement 5(iv) and Commentary)</b>	Segregation requirements apply.	Segregation requirements apply.	Segregation requirements apply.	Segregation requirements apply.
<b>AANA calculation (Key principle 8: Requirement 8.9 and 8.10)</b>	<p>ANNA is calculated on a group basis and is the average of the total gross notional amount of month-end positions of non-centrally cleared derivatives for March, April and May of the relevant year.</p> <p>All non-centrally cleared derivatives are included in the calculation of AANA, including physically-settled FX forwards and swaps, and physically-settled gold forwards and swaps.</p>	Similar	Similar	<p>“AANA” is calculated:</p> <ul style="list-style-type: none"> <li>summing up the notional amount of all Covered Swaps (both legacy and new transactions) on a daily basis (business days only) during the observation period;</li> <li>summing up the AANA number calculated for each such day; and</li> <li>dividing such number by the number of business days in the observation period</li> </ul> <p>The following can be excluded for the purposes of calculating a party’s AANA:</p> <ul style="list-style-type: none"> <li>Covered Swaps entered into with exempt counterparties;</li> <li>Security-based swaps that either (i) are exempt pursuant to the SEC exemption from clearing for affiliates of end-users or (ii) satisfy the criteria for the SEC’s end-user exception for clearing.</li> </ul>

	NFRA Margin Rules	Hong Kong (HKMA rules)	EU EMIR	U.S. (PR Rules)
<b>Phase-in schedule and thresholds</b> (Key principle 2 Requirement 2.5)	<b>VM:</b> 1 September 2026 <b>IM:</b> Exchange of IM should commence from the phase-in dates set out below where both the FI and its counterparty whose AANA exceeds RMB 500 billion on 1 September 2027; RMB 300 billion on 1 September 2028 or RMB 60 billion on 1 September 2029	All phased in periods passed; after 1 September 2022, where the AANA of a covered counterparty exceeds HKD60 billion, an in-scope entity will have to exchange IM with such covered counterparty.	All phased in periods passed; after 1 September 2022, where the AANA of a covered counterparty exceeds EUR 8 billion, an in-scope entity will have to exchange IM with such covered counterparty.	All phased in periods passed; after 1 September 2022, where the AANA of a covered counterparty exceeds USD 8 billion, an in-scope entity will have to exchange IM with such covered counterparty.
<b>IM Threshold</b>	RMB400 million or its equivalent in other currencies	HKD375 million, applied at the level of the respective consolidated groups to which the in-scope entity and the covered counterparty belong	(i) EUR50 million in the case where (a) neither counterparty belongs to any group or (b) the counterparties are part of different groups <sup>12</sup> ; and  (ii) EUR10 million where both counterparties belong to the same group <sup>13</sup> .	USD50 million, applied on a group basis between (i) a CSE and any of its affiliates and (ii) its counterparty and such counterparty's affiliates.
<b>Minimum Transfer Amount</b>	RMB4 million - applies cumulatively to IM and VM	HKD3.75 million - applies cumulatively to IM and VM	EUR500,000 - applies cumulatively to IM and VM	USD500,000 - applies cumulatively to IM and VM

<sup>12</sup> Where the counterparties are part of different groups, the IM threshold of EUR50 million applies at group level.

<sup>13</sup> Although the position is not clear, our view is that this threshold applies per intragroup pair of entities (i.e. not on a group level)

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