

MEMO# 30551

January 30, 2017

ICI Submits Comment Letter Requesting a Delay to the March 1 Variation Margin Compliance Date

[30551]

January 30, 2017 TO: Derivatives Markets Advisory Committee
Registered Fund CPO Advisory Committee

Securities Operations Advisory Committee RE: ICI Submits Comment Letter Requesting a Delay to the March 1 Variation Margin Compliance Date

Today, ICI submitted a letter to the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve, Office of the Comptroller of the Currency, Farm Credit Administration and Federal Housing Finance Agency (altogether, “Prudential Regulators”) and Commodity Futures Trading Commission (“CFTC”) requesting at least a six-month delay of the compliance date for the variation margin requirements for uncleared swaps. As you know the Prudential Regulators and the CFTC adopted final margin rules generally requiring swap dealers and certain other swap entities to post and collect initial and variation margin for over-the-counter swaps transactions.[\[1\]](#) As part of the rules, swap dealers must exchange variation margin with other entities, including financial end users (e.g., regulated funds), beginning on March 1, 2017.

ICI’s comment letter states that, in the absence of a delay beyond March 1, many funds face the real prospect of having few dealer counterparties with which to execute transactions. Much worse, they may even lose the ability to trade swaps. The letter then: 1) explains the significant documentation challenges the variation margin rules present for funds; and 2) identifies various obstacles that the industry has encountered in attempting to meet the compliance dates.

Jennifer S. Choi
Associate General Counsel

Kenneth Fang
Assistant General Counsel

[Attachment](#)

endnotes

[1] See Margin and Capital Requirements for Covered Swap Entities, 80 Fed. Reg. 74,840 (Nov. 30, 2015), available at <https://www.gpo.gov/fdsys/pkg/FR-2015-11-30/pdf/2015-28671.pdf>; Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 Fed. Reg. 636 (Jan. 6, 2016), available at <https://www.gpo.gov/fdsys/pkg/FR-2016-01-06/pdf/2015-32320.pdf>. For a summary of the Prudential Regulators' OTC margin rules, please see ICI Memorandum No. 29484 (Nov. 12, 2015), available at https://www.ici.org/my_ici/memorandum/memo29484. For a summary of the CFTC's OTC margin rules, please see ICI Memorandum No. 29587 (Dec. 22, 2015), available at: https://www.ici.org/my_ici/memorandum/memo29587.

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