

MEMO# 32858

October 23, 2020

ICI Files Comment Letter with CFTC on Proposed Amendments to Uncleared Swap Margin Requirements

[32858]

October 23, 2020 TO: ICI Members

Derivatives Markets Advisory Committee SUBJECTS: Derivatives

Investment Advisers

Operations RE: ICI Files Comment Letter with CFTC on Proposed Amendments to Uncleared Swap Margin Requirements

ICI has filed a comment letter with the CFTC on the proposed amendments to its uncleared swap margin requirements (“Proposals”). ICI’s letter is attached and summarized below.

ICI’s comment letter supports the Proposals, which would further align its initial margin requirements with the international framework and codify certain ongoing staff no-action relief with respect to minimum transfer amount (MTA) thresholds. Specifically, the Proposals would

- revise the calculation method and compliance timing for initial margin requirements to align with the framework set forth by the Basel Committee on Banking Supervision and Board of the International Organization of Securities (BCBS-IOSCO);
- permit a swap dealer (SD) or major swap participant (MSP) to apply a minimum transfer amount (MTA) of up to \$50,000 to each separately managed account (SMA) of a counterparty with which it enters into an uncleared swap; and
- permit an SD or MSP to apply separate MTAs for initial margin and variation margin, provided that the combined amount of those MTAs does not exceed the existing \$500,000 limit.

The letter explains that aligning the CFTC’s calculation methods, timing, and post-phase-in compliance dates with the BCBS-IOSCO Framework would allow funds to fulfill initial margin obligations more efficiently by reducing unnecessary operational burdens and costs. Further, the letter states that ICI does not believe that alignment would result in a less accurate representation of a market participant’s swaps trading activity because an average aggregate notional amount calculation would still be based on multiple periodic month-end dates.

The letter also explains that allowing a separate MTA for each SMA would help funds

overcome operational burdens and focus their resources on the most challenging aspects of implementing the uncleared swap margin requirements. Although this approach could potentially lead to initial margin exchanges in lower amounts, we state that this concern is mitigated because managers of different SMAs exercise their own discretion in investing and managing a respective portion of a fund's assets and likely could not coordinate their activities to minimize that requirement.

Lastly, the letter explains that allowing separate MTAs for initial margin and variation margin is consistent with the existing practice among uncleared swap counterparties of establishing separate amounts in credit support annexes (CSAs), as well as the regulations of other major jurisdictions. ICI acknowledges the concern that this approach could in some scenarios lead to the exchange of a lower overall amount of margin, but ICI notes that separate MTAs would remain subject to the existing overall \$500,000 MTA limit. Further, ICI expresses support for the recommendation of the CFTC's GMAC Margin Subcommittee that separate MTAs for initial margin and variation margin should also be permitted for SMAs.

Nhan Nguyen
Counsel, Securities Regulation

[Attachment](#)

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