

**MEMO# 31882**

August 1, 2019

# **ICI Joins Letter to CFTC and US Prudential Regulators Advocating for Broader Use of MMFs as Collateral for Uncleared Derivatives**

[31882]

August 1, 2019 TO: ICI Members

Derivatives Markets Advisory Committee

ICI Global Trading & Markets Committee SUBJECTS: Derivatives

Trading & Markets RE: ICI Joins Letter to CFTC and US Prudential Regulators Advocating for Broader Use of MMFs as Collateral for Uncleared Derivatives

ICI and other trade associations recently submitted the attached letter to the CFTC and US prudential regulators requesting: (1) relief or rule amendments to expand the types of money markets funds (“MMFs”) that can be used as eligible collateral for uncleared swap transactions and; (2) that the US prudential regulators permit substituted compliance with EU margin rules for uncleared derivatives. The letter stresses that absent relief or rule amendments, the use of MMFs as eligible collateral for initial margin for uncleared swaps will be extremely limited, leading to a market needlessly bifurcated by regulatory regime.

Part 1 of the letter describes the advantages of posting cash for entities subject to the initial margin requirements of the CFTC or the US prudential regulators and describes how these requirements severely limit the number of eligible MMFs that can be used as collateral. Part 2 explains how the counterparties to transactions that are subject to both the EU and US margin rules are unlikely to be permitted to use MMFs as collateral for uncleared swap transactions and urges the US prudential regulators to issue a comparability determination for the EU margin rules, similar to that of the CFTC.

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