

MEMO# 27276

June 6, 2013

ICI, IAA, and SIFMA AMG Request Extension of Clearing Deadline to Provide Time for Full Implementation of Protections for Excess Margin

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 47-13
DERIVATIVES MARKETS ADVISORY COMMITTEE No. 43-13
INVESTMENT ADVISER MEMBERS No. 36-13
SEC RULES MEMBERS No. 52-13 RE: ICI, IAA, AND SIFMA AMG REQUEST EXTENSION OF CLEARING DEADLINE TO PROVIDE TIME FOR FULL IMPLEMENTATION OF PROTECTIONS FOR EXCESS MARGIN

On June 4, ICI along with the Investment Adviser Association and the Asset Management Group of the Securities Industry and Financial Markets Association submitted a letter to the Division of Clearing and Risk ("Division") of the Commodity Futures Trading Commission ("CFTC") requesting a delay of the deadline for mandatory clearing by Category 2 entities [\[1\]](#) until September 9 (the deadline for Category 3 entities). A copy of the letter is attached.

The letter asks for an extension of the clearing deadline to allow futures commission merchants ("FCMs") and derivatives clearing organizations ("DCOs") the necessary time to implement the technological systems that would provide full protection under the "legal segregation with operational commingling" or "LSOC" model to customer excess margin. [\[2\]](#) The letter argues that a delay is necessary because, once much of the buy-side is already clearing, there will be less incentive for FCMs and DCOs to progress diligently in making the systems that will provide full protection to excess margin operational. The letter states that it is imperative that the full protections of LSOC be provided to all customer collateral, including excess margin.

Jennifer S. Choi
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[Attachment](#)

endnotes

[1] Registered investment companies generally would fall within the Category 2 entities.

[2] Excess margin is any collateral above the “amount required by the [DCO].” Rule 22.13(c) under the Commodity Exchange Act (“CEA”).

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