

**MEMO# 35455**

September 28, 2023

# **Your Comments Requested: ICI Draft Letter on CFTC Proposal to Amend Uncleared Swaps Margin Requirements Relating to Seeded Funds and Certain Money Market Funds**

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TO: Derivatives Markets Advisory Committee RE: Your Comments Requested: ICI Draft Letter on CFTC Proposal to Amend Uncleared Swaps Margin Requirements Relating to Seeded Funds and Certain Money Market Funds

Attached for your review is ICI's draft comment letter to the CFTC's proposed amendments to its margin requirements for uncleared swaps related to seeded funds and certain money market funds (MMFs). The Proposal would implement, with certain modifications, two recommendations in the CFTC's Global Markets Advisory Committee's (GMAC) 2020 subcommittee report on UMR scoping and implementation. ICI plans on filing the letter to the CFTC on Tuesday, October 10. Therefore, please provide me with any feedback or comments by email at [nhan.nguyen@ici.org](mailto:nhan.nguyen@ici.org) no later than COB Thursday, October 5.

ICI's letter expresses support for the CFTC's proposal, which addresses the following below:

## **Treatment of Seeded Funds**

ICI's letter expresses support for amending the CFTC's definition of "margin affiliate" to provide that a seeded fund that meets certain specified conditions would be deemed not to have any margin affiliates for purposes of calculating a fund's material swaps exposure and the IM threshold amount, for a period of three years from the fund's trading inception date. However, ICI requests member input on the various conditions proposed, including a requirement that there is at least one other margin affiliate that is exchanging initial margin.

## **Money Market Funds as Eligible Collateral**

ICI's letter expresses support for eliminating the asset transfer restriction that disqualifies many MMFs from being used as eligible collateral if they engage in repo or reverse repo or

similar arrangements. Based on data as of July 2023, the letter notes that the scope of MMFs that qualify as eligible collateral is currently limited to 21 MMFs with \$649 billion in net assets. ICI estimates that eliminating the restriction would significantly increase that scope of eligible collateral to 45 MMFs with \$1.348 billion in net assets. The letter also emphasizes that there are important attributes of how MMFs engage in Treasury repo that should mitigate CFTC concerns about repo settlement fails negatively affecting a MMF's NAV and ability to meet redemption requests. Further, the letter urges the CFTC to eliminate the restriction without imposing further requirements such as additional haircuts, a percentage cap on repo transactions, or a clearing requirement.

Nhan Nguyen  
Assistant General Counsel, Securities Regulation

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