

MEMO# 35481

October 11, 2023

ICI Files Comment Letter to CFTC on Amendments to Margin Requirements for Uncleared Swaps

[35481]

October 10, 2023

TO: ICI Members

Derivatives Markets Advisory Committee SUBJECTS: Derivatives

Money Market Funds RE: ICI Files Comment Letter to CFTC on Amendments to Margin Requirements for Uncleared Swaps

ICI has filed the attached comment letter with the CFTC on its proposed amendments to margin requirements for uncleared swaps related to the treatment of seeded funds and eligibility of certain money market funds (MMFs) as eligible collateral.

The letter expresses support for providing that a seeded fund meeting 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, the letter requests that the CFTC (1) eliminate the condition that one or more of the seeded fund's margin affiliates are required to post and collect initial margin prior to receiving such treatment; and (2) not require an eligible seeded fund's sponsor entity or other margin affiliates to continue to include the fund's exposure in the calculation of their MSE and IM threshold amount.

The letter also 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. The letter, however, also 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. Further, the letter requests that the CFTC not adopt the standardized haircut calculation methodology as proposed for qualifying government MMFs and similar funds and consider a static discount instead.

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