

**MEMO# 35750**

June 25, 2024

# ICI Submits Letter to SEC on FICC Access Model and Margin Segregation Proposals

[35750]

June 21, 2024

TO: Treasury Clearing Working Group RE: ICI Submits Letter to SEC on FICC Access Model and Margin Segregation Proposals

ICI has filed the attached comment letter to the SEC on FICC's Access Model and Margin Segregation Proposals. The letter raises the following points regarding the proposals:

- With respect to FICC's Access Model Proposal, the letter expresses concerns about whether the proposed Agent Clearing Service will be a "workable" model for "done away" clearing if there is an insufficient number of Netting Members willing to provide clearing services on a stand-alone basis, among other issues. The letter urges the SEC to encourage FICC to propose further rule changes or take other measures that would encourage greater "done away" clearing, including through FICC's Sponsored Service.
- With respect to FICC's Margin Segregation Proposal, the letter asserts that:
  - FICC needs to ensure that its rules, in particular the proposed rule changes that adopt Note H of the Rule 15c3-3a, fully account for the conditions of the no-action relief from 1940 Act custody requirements provided in the final Treasury clearing rule. We highlight certain examples where this may not be the case, which may inhibit the ability of funds to avail themselves of the relief.
  - FICC should eliminate disincentives to the direct posting of margin, such as the \$1 million minimum segregated margin requirement for each segregated indirect participant, which is not sufficiently justified. Further, FICC should ensure that any interest earned on Segregated Customer Margin is paid or credited to each Segregated Indirect Participant, with a public explanation of the rate to be paid.
  - FICC should clarify to funds how margin posting may work from an operational perspective, which they have not done so far.
- The letter also reiterates ICI's concerns about how FICC's rules address a Sponsoring Member or Agent default, including in a bankruptcy scenario. The letter states that FICC should provide a legal opinion to its members that addresses the various issues that would arise under other relevant legal regimes in a default scenario.

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