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American
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ABA Securities Association
ABASA, an ABA subsidiary



INVESTMENT ADVISER
ASSOCIATION

August 26, 2020

Legislative and Regulatory Affairs Division
Office of the Comptroller of the Currency
RIN 1557-AE98
Docket ID OCC-2020-0027

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Attn: Comments/RIN 2590-AB03

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve
System
Docket No. R-1721, RIN No. 7100-AF92

David P. Grahn, Director
Office of Regulatory Policy
Farm Credit Administration
RIN 3052-AD34

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
RIN 3064-AF55

Re: Margin and Capital Requirements for Covered Swap Entities, Interim Final Rule

To Whom It May Concern,

The International Swaps and Derivatives Association (ISDA), Managed Funds Association (MFA), the U.S. Chamber's Center for Capital Markets Competitiveness (CCMC), the Investment Company Institute (ICI), the Securities Industry and Financial Markets Association (SIFMA), SIFMA Asset Management Group (SIFMA AMG), the Global Financial Markets Association (GFMA), the Global Foreign Exchange Division (GFXD) of GFMA, American Bankers Association (ABA), ABA Securities Association (ABASA), the Investment Adviser Association (IAA), and the Institute of International Bankers (IIB) (together, the Associations¹) would like to express our

¹ See Appendix for descriptions of the Associations.

appreciation for the swift and decisive actions taken by the U.S. prudential regulators² (collectively, the “Agencies”) to provide timely and valuable regulatory relief to market participants in response to the global COVID-19 pandemic. In particular, we would like to express our gratitude for the Agencies’ support of the statement³ and revised version of the *Final Framework on Margin Requirements for Non-Centrally Cleared Derivatives* (Final Framework)⁴ issued on April 3, 2020 by the Basel Committee on Bank Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) in response to the letter submitted on March 25, 2020⁵ by the Associations and other global financial market associations requesting a delay of the final phase-in periods for regulatory initial margin.

The Associations strongly support the Interim Final Rule⁶ issued in respect of the Agencies’ *Margin and Capital Requirements for Covered Swap Entities* (the “Margin Rules”) which defers the compliance dates for application of initial margin (IM) requirements for Covered Swap Entities (CSEs) and covered counterparties with an average aggregate notional amount exceeding \$50 billion (Phase 5) and material swaps exposure (i.e., \$8 billion) (Phase 6) to 2021 and 2022 respectively. We believe deferrals of the Phase 5 and 6 compliance dates are necessary to facilitate orderly preparation for the exchange of regulatory IM between CSEs and the hundreds of covered counterparties with thousands of bilateral relationships⁷ expected to come into scope of these requirements during these final phases which have been, and continue to be, profoundly impacted by the global pandemic.

While our members have robust business continuity plans in place that are functioning well, given the overwhelmingly disruptive nature of the pandemic, our members’ efforts to prepare for the final phases of regulatory IM have been severely impacted due to personnel, systems and other issues. Although the derivatives industry has adjusted to alternative working situations, the length and severity of the ongoing impact to operations cannot be predicted. Therefore, we greatly appreciate the additional time afforded to market participants by the Agencies and global regulators to come into compliance with the IM regulations. The Associations support the adoption of the Interim Final Rule as proposed and look forward to its finalization.

In addition, the Associations note our support of the issuance of the Notices of Proposed Rulemaking⁸ (NPRs) approved by the Commodity Futures Trading Commission (CFTC) on August 14, 2020 (the August 14, 2020 NPRs) which amend the CFTC’s *Margin Requirements*

² The U.S. prudential regulators include: the Treasury Department (Office of the Comptroller of the Currency) (“OCC”); Board of Governors of the Federal Reserve System (“Federal Reserve”); Federal Deposit Insurance Corporation (“FDIC”); Farm Credit Administration (“FCA”); and the Federal Housing Finance Agency (“FHFA”).

³ <https://www.iosco.org/news/pdf/IOSCONEWS560.pdf>

⁴ BCBS-IOSCO *Final Framework on Margin Requirements for Non-Centrally Cleared Derivatives* (April 2020), available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD651.pdf>.

⁵ <https://www.isda.org/a/sM7TE/IMPhase5-6COVID-19Letter.pdf>

⁶ 85 Fed. Reg. 39465 (July 1, 2020)

⁷ Analysis conducted by ISDA estimates that the scale of counterparties coming into scope in the final phases will be exponentially greater than in all prior phases combined with over 1000 parties needing to build infrastructure, prepare for IM calculation, source collateral, execute IM CSAs, and establish custodial arrangements to cover more than 9500 relationships.

⁸ <https://www.cftc.gov/media/4401/FederalRegister081420/download>
<https://www.cftc.gov/media/4406/FederalRegister081420b/download>

for Uncleared Swaps for Swap Dealers and Major Swap Participants (the CFTC Margin Rule) based on some of the recommendations in the *Recommendations to Improve Scoping and Implementation of Initial Margin Requirements for Non-Cleared Swaps*⁹ (Margin Subcommittee Report). The Margin Subcommittee Report was adopted by CFTC's Global Markets Advisory Committee (GMAC) on July 22, 2020, and the GMAC recommended to the CFTC that it consider adopting the report's recommendations.

We commend the swift action taken by the CFTC to consider the Margin Subcommittee Report and propose amendments which would address several of the recommendations. We request that the Agencies amend the Margin Rules to align with any amendments that the CFTC adopts from the August 14, 2020 NPRs in order to effect domestic and global harmonization and provide regulatory clarity and certainty to prudentially-regulated CSEs and their covered counterparties. We also recommend that the Agencies coordinate with any future efforts by the CFTC to address the remaining recommendations in the Margin Subcommittee Report.

We would be happy to discuss these matters at your convenience.

Sincerely,



Tara Kruse
Global Head, Infrastructure, Data and
Non-Cleared Margin
ISDA



Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

/s/

Jennifer W. Han
Managing Director & Counsel,
Regulatory Affairs
Managed Funds Association

/s/

Sarah A. Bessin
Associate General Counsel
Investment Company Institute



Kyle Brandon
Managing Director, Head of Derivatives
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Timothy W. Cameron, Esq.
Asset Management Group – Head
and, Managing Director **Securities Industry and**
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⁹ https://www.cftc.gov/media/3886/GMAC_051920MarginSubcommitteeReport/download



Allison Parent
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Ananda Radhakrishnan
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/s/

Gail C. Bernstein
General Counsel
Investment Adviser Association



Chief Executive Officer
Institute of International Bankers

About the Associations

Since 1985, **ISDA** has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 925 member institutions from 74 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on Twitter @ISDA.

Managed Funds Association (**MFA**) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk and generate attractive returns over time. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, North and South America, and many other regions where MFA members are market participants.

The U.S. Chamber's **Center for Capital Markets Competitiveness's (CCMC)** mission is to advance America's global leadership in capital formation by supporting diverse capital markets that are the most fair, transparent, efficient, and innovative in the world. CCMC advocates on behalf of American businesses to ensure that legislation and regulation strengthen our capital markets allowing businesses—from the local flower shop to a multinational manufacturer—to mitigate risks, manage liquidity, access credit, and raise capital.

The [Investment Company Institute](http://www.investmentcompanyinstitute.com) (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of US\$25.2 trillion in the United States, serving more than 100 million US shareholders, and US\$6.5 trillion in assets in other jurisdictions. ICI carries out its international work through [ICI Global](http://www.ici.com), with offices in London, Hong Kong, and Washington, DC.

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

SIFMA AMG's members represent U.S. asset management firms whose combined global assets under management exceed \$45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS, and private funds such as hedge funds and private equity funds.

GFMA represents the common interests of the world's leading financial and capital market participants, to provide a collective voice on matters that support global capital markets. We advocate on policies to address risks that have no borders, regional market developments that impact global capital markets, and policies that promote efficient cross-border capital flows to end users by efficiently connecting savers and borrowers, benefiting broader global economic growth. The Association for Financial Markets in Europe (AFME) in London, Brussels and Frankfurt, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA.

The **GFXD** was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 24 global foreign exchange market participants, collectively representing a significant portion of the FX inter-dealer market. Both the GFXD and its members are committed to ensuring a robust, open and fair FX marketplace and welcome the opportunity for continued dialogue with global regulators. Learn more about the GFXD at: www.gfma.org/foreign-exchange/

The American Bankers Association (**ABA**) is the voice of the nation's \$20.3 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$15.8 trillion in deposits and extend nearly \$11 trillion in loans.

The ABA Securities Association (**ABASA**) is a separately chartered trade association and non-profit subsidiary of the American Bankers Association whose mission is to represent the interests of banks underwriting and dealing in securities, proprietary mutual funds and derivatives before Congress and the federal government. ABASA members are large financial institutions with significant capital markets businesses.

The **IAA** is the largest organization dedicated to advancing the interests of investment advisers registered with the Securities and Exchange Commission. For more than 80 years, the IAA has been advocating for advisers before Congress and U.S. and global regulators, promoting best practices and providing education and resources to empower advisers to effectively serve their clients, the capital markets, and the U.S. economy. The IAA's member firms manage more than \$25 trillion in assets for a wide variety of individual and institutional clients, including pension plans, trusts, mutual funds, private funds, endowments, foundations, and corporations. For more information, please visit www.investmentadviser.org.

The Institute of International Bankers (**IIB**) is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. The IIB's mission is to help resolve the many special legislative, regulatory, tax and compliance issues confronting internationally headquartered institutions that engage in banking, securities and other financial activities in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the U.S. policy of national treatment and appropriately limit the extraterritorial application of U.S. laws to the global operations of its member institutions. Further information is available at www.iib.org.