



asset management group

April 20, 2026

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

Re: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants (RIN 3038–AF36)

Dear Mr. Kirkpatrick:

The Investment Company Institute¹ and the Asset Management Group of the Securities Industry and Financial Markets Association² (“SIFMA AMG,” and together with ICI, “we” or “our”) appreciate the opportunity to supplement our prior letters to the Commodity Futures Trading Commission (CFTC or “Commission”) on the proposed amendments to the CFTC’s initial margin (“IM”) requirements for uncleared swaps.³ The Proposal primarily relates to: (1) the treatment of “seeded funds” and eligibility of certain US money market funds regulated under Securities and Exchange Commission (SEC) Rule 2a-7 under the 1940 Act (“MMFs”) and other similar funds as “eligible collateral” for IM requirements; and (2) the related standard haircut schedule for eligible MMFs and other similar funds. This letter supplements our

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing the asset management industry in service of individual investors. ICI’s members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$44.7 trillion invested in funds registered under the US Investment Company Act of 1940 (“1940 Act”), serving more than 125 million investors. Members manage an additional \$10.4 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI Associate Members include service providers to member firms and CIT trust companies. ICI has offices in Washington DC, Brussels, and London.

² SIFMA AMG brings the asset management community together to provide views on US and global policy and to create industry best practices. SIFMA AMG’s members represent US and global asset management firms that manage more than 50% of global AUM. 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. For more information, visit <http://www.sifma.org/amg>.

³ See Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 88 Fed. Reg. 53409 (Aug. 8, 2023) (“Proposal”), available at <https://www.govinfo.gov/content/pkg/FR-2023-08-08/pdf/2023-16572.pdf>. Each of ICI and SIFMA AMG previously submitted comments on the Proposal. See also Letter from Sarah A. Bessin, Deputy General Counsel, ICI, to Christopher Kirkpatrick, Secretary, CFTC, October 10, 2023, available at <https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=73153&SearchText=> (“ICI 2023 Letter”); and Letter from William C. Thum, Managing Director and Assistant General Counsel, SIFMA AMG, Kyle Brandon, Managing Director, Head of Derivatives Policy, SIFMA, and Tara Kruse, Global Head of Infrastructure, Data and Non-Cleared Margin, ISDA, to Christopher Kirkpatrick, Secretary, CFTC, October 10, 2023, available at <https://comments.cftc.gov/PublicComments/ViewComment.aspx?id=73150&SearchText=> (“SIFMA AMG 2023 Letter” and together with the ICI 2023 Letter, the “2023 Letters”).

previous comments in the 2023 Letters with recommendations as to the appropriate haircut to be applied to securities of certain qualifying funds, including MMFs, used as eligible collateral for the IM requirements and follows up on the meetings we had with the Commission staff in March 2026.

Background

The Proposal would amend the standard haircut schedule under CFTC Regulation 23.156(a) (*i.e.*, the standardized percentage discounts applied to eligible collateral) to adopt a haircut methodology that would apply to securities of MMFs and other similar funds that qualify as eligible collateral under CFTC Regulation 23.156(a)(1)(ix) (“Eligible Funds”) for purposes of the IM requirements for uncleared swaps. At a high level, this proposed methodology specifies that the haircut for securities of an Eligible Fund would be equal to the monthly weighted average discount that would apply to the assets held by the Eligible Fund at the end of the prior month. The weights to be applied would be calculated as a fraction of the Eligible Fund’s total market value that is invested in each asset with a given discount amount. The proposed methodology and calculation—based on “looking-through” to the Eligible Fund’s assets—mirrors the haircut methodology that applies to securities of Eligible Funds under the prudential regulators’ uncleared swaps margin requirements.

We acknowledge that this proposed amendment to the standard haircut schedule was intended to correct a prior omission and would harmonize the CFTC’s approach with the prudential regulators’ requirements. However, while we appreciate the CFTC’s objectives, we reiterate our recommendation in our 2023 Letters that the CFTC reconsider its proposed approach.

As discussed in more detail in each of our 2023 Letters, the proposed approach would impose a host of practical challenges that would curtail the use of securities of Eligible Funds as eligible collateral. In this regard, under the proposed methodology, parties to an uncleared swap transaction that intend to use securities of an Eligible Fund as eligible collateral would need to contractually allocate obligations to make the required calculations among themselves in their credit support documents, which are highly negotiated documents. The designated party would in turn need to build a system to “look-through” and identify the haircut that would apply to each of the holdings of an Eligible Fund whose securities are posted as margin under the swap transaction (presumably based on publicly-available data posted by the Eligible Fund) and then would need to run a calculation to assess the new haircut to be applied to posted securities of the Eligible Fund at the turn of each month. These tasks, which are laborious and resource-intensive, are not necessary for Eligible Funds because: (1) of the structural requirements for Eligible Funds under the existing eligibility requirements under CFTC Regulation 23.156(a)(1)(ix) (discussed below); and (2) their portfolios are comprised of high quality, liquid securities and, for certain Eligible Funds (*e.g.*, MMFs regulated under SEC Rule 2a-7), subject to stringent maturity guidelines mandated by applicable law.

These same practical challenges would apply to any type of methodology that requires a “look-through” and assessment of characteristics of Eligible Fund holdings—for example, a methodology applying a haircut based on the weighted average maturity of the securities held by an Eligible Fund or a haircut based on the longest maturity of the securities held by an Eligible Fund. We believe that any such methodology would unnecessarily curtail the use of securities of Eligible Funds as eligible collateral without furthering any regulatory objectives.

We recommended in our 2023 Letters that the Commission consider a specific, static haircut for securities of Eligible Funds that appropriately reflects the stability, quality, and liquidity of their portfolios. The ICI 2023 Letter also highlighted that the CFTC and the prudential regulators would benefit from seeking additional public comment on the most appropriate static haircut for securities of Eligible Funds.⁴ We reiterate these prior recommendations and also are providing an additional recommendation on the appropriate haircut requirement for securities of Eligible Funds.⁵

Recommendation on the Haircut Requirement for Securities of Eligible Funds

For the reasons described herein, we recommend that the Commission apply a static 0.5% haircut to securities of: (1) any Eligible Fund that is a MMF (*i.e.*, an Eligible Fund regulated under SEC Rule 2a-7); and (2) any other Eligible Fund that discloses in its offering documents an investment restriction that requires the fund to limit its investments to securities with maturities of less than one year or otherwise maintain a dollar-weighted average portfolio maturity (“WAM”) of less than one year (a “Maturity Limited Eligible Fund”). This haircut would be equivalent to the current haircut for eligible government and rated debt securities with a

⁴ The ICI 2023 Letter also noted that the prudential regulators did not specify this look-through methodology in the 2014 re-proposal of their uncleared swaps margin requirements, as the scope of eligible collateral as originally proposed did not include “certain redeemable government bond funds,” *i.e.*, government MMFs. See Margin and Capital Requirements for Covered Swap Entities, 79 Fed. Reg. 57348, 57355 (Sept. 24, 2014), available at <https://www.govinfo.gov/content/pkg/FR-2014-09-24/pdf/2014-22001.pdf>. Based on public comments, the prudential regulators subsequently broadened the scope of eligible collateral to include government MMFs and similar funds and included the corresponding dynamic haircut to be applied. See Margin and Capital Requirements for Covered Swap Entities, 80 Fed. Reg. 74840, 74910 (Nov. 30, 2015), available at <https://www.govinfo.gov/content/pkg/FR-2015-11-30/pdf/2015-28671.pdf>. As a result, ICI and members of the asset management industry did not have an opportunity to provide feedback to the prudential regulators on the footnote that was carried over into this Proposal.

⁵ The Proposal also would revise the definition of “margin affiliate” to provide that certain collective investment vehicles that receive a portion or all of their initial equity investment from a sponsor entity (a “seeded fund”) would be deemed not to have any margin affiliates for purposes of calculating certain thresholds that trigger the requirements to exchange IM for uncleared swaps. This revision would effectively relieve swap dealers and major swap participants from posting and collecting IM with certain eligible seeded funds for a limited, three-year period. The Proposal would also eliminate an “asset transfer restriction” that disqualifies certain MMFs and other similar funds from being used as eligible collateral under the IM requirements if they engage in securities lending, securities borrowing, repurchase agreements, reverse repurchase agreements, and similar arrangements. This restriction unnecessarily restricts many MMFs and other similar funds that have high quality and highly liquid portfolios—namely, MMFs regulated under SEC Rule 2a-7 that limit their investments to US Treasury securities and repurchase agreements fully collateralized by US Treasury securities—from being used as collateral for these purposes. We continue to strongly support these two aspects of the Proposal and reiterate the recommendations on these two aspects of the Proposal that we made in our 2023 Letters.

In addition, if adopted, the Proposal would also result in an expanded scope of Eligible Fund securities that can serve as variation margin for uncleared swap transactions and apply the new haircut schedule thereto. See CFTC Regulation 21.156(b). We are supportive of the new haircut schedule applying to the variation margin requirements subject to the changes discussed herein.

residual maturity of less than one year. For Eligible Funds that are not MMFs or Maturity Limited Eligible Funds, we recommend that the Commission apply a static 2% haircut to securities of those Eligible Funds. This haircut would be equivalent to the current haircut for eligible government and rated debt securities with a residual maturity between one and five years.

In support of our proposed approach, as a threshold matter, we note that the Commission acknowledged in the Proposal that “the haircut requirements are intended to address the possibility that the value of non-cash eligible collateral may decline between a counterparty’s default and the close out of such counterparty’s swap positions by the [covered swap entity].”⁶ The CFTC Regulation 23.156(a)(1)(ix) eligibility requirements for Eligible Funds mitigate this risk and support applying a lower, static haircut that appropriately reflects Eligible Funds’ stable, high quality portfolios and highly liquid profile. To qualify as eligible collateral, an Eligible Fund’s investments must be limited to high quality securities issued by or fully guaranteed by the US Department of the Treasury, the European Central Bank, and certain risk-limited sovereign entities.⁷ These securities are generally stable in value and highly liquid. If the CFTC removes the asset transfer restriction, as we recommend, an Eligible Fund would be required to limit any repurchase agreements and similar arrangements to those in which the Eligible Fund receives only those types of securities in which it is permitted to invest directly.⁸ Moreover, securities of an Eligible Fund must be redeemable and “issued and redeemed only on the basis of the market value of the fund’s net assets prepared each business day.” An Eligible Fund’s ability to meet redemptions on this basis is supported by the risk-limiting requirements that restrict the scope of an Eligible Fund’s investments and active portfolio management by the Eligible Fund’s sponsor. As a result, a shareholder may redeem securities issued by an Eligible Fund for cash at a price based on the fund’s net asset value calculated as of the date the redemption notice is submitted—in many instances without requiring the Eligible Fund to sell portfolio holdings to generate the cash to pay the redemption proceeds.⁹

⁶ See Proposal, at 53419, text acc. note 91.

⁷ CFTC Regulation 23.156(a)(1)(ix) limits funds’ investments to: (1) securities that are issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the US Department of the Treasury, and immediately-available cash funds denominated in US dollars; or (2) securities denominated in a common currency and issued by, or fully guaranteed as to the payment of principal and interest by, the European Central Bank or a sovereign entity that is assigned no higher than a 20 percent risk weight under the capital rules applicable to swap dealers subject to regulation by a prudential regulator, and immediately-available cash funds denominated in the same currency.

⁸ See Proposal, at 53418, text acc. note 86.

⁹ We note that certain Eligible Funds, such as MMFs, are specifically designed for short-term cash management and are managed in a way to accommodate large daily redemptions without necessarily requiring the Eligible Fund to sell portfolio holdings (e.g., by investing in a portfolio of securities with maturities spread over regular intervals, by maintaining a portion of the Eligible Fund’s holdings in cash or by using net subscription proceeds to pay any redemptions, etc.). We also note that the removal of the asset transfer restriction will provide additional flexibility—for example, an Eligible Fund could sweep cash into overnight repurchase transactions, which would enable the Eligible Fund to remain fully invested while also providing a source of investments that mature on a daily basis (the proceeds from which could be used to meet any redemptions that day).

For Eligible Funds that are MMFs, the maturity, diversification and liquidity requirements under SEC Rule 2a-7¹⁰ serve to limit the residual maturity of US Treasury securities (and, if the asset transfer restriction is removed, repurchase agreements collateralized fully by US Treasury securities) held by a MMF. We acknowledge that some US Treasury securities held by an eligible MMF may have a legal maturity that is longer than one year.¹¹ However, we believe that the overall risk-limiting conditions under SEC Rule 2a-7—including requirements to maintain a WAM that cannot exceed 60 calendar days and a WAL that cannot exceed 120 calendar days—effectively limit interest rate risk, spread risk, and liquidity risk and justifies the application of a static 0.5% haircut to securities of qualifying MMFs.

If the Commission determines that securities of Maturity Limited Eligible Funds other than MMFs should be subject to a more stringent haircut schedule than that applicable to MMFs, we believe that the Commission should apply a static 2% haircut to securities of these Eligible Funds, in recognition of the stability, high quality portfolios and highly liquid profiles of such funds resulting from the application of the CFTC eligibility requirements as discussed above. Applying a dynamic haircut to securities of these Eligible Funds would impose the practical challenges and curtail the use of such securities as eligible collateral for the reasons cited above. Likewise, we believe that applying a static 4% or more stringent haircut to securities of these Eligible Funds unfairly fails to recognize the stability, quality, and liquidity profile inherent in Eligible Funds that meet the CFTC eligibility requirements as discussed above.

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We appreciate the Commission's continued engagement on these important issues and welcome the opportunity to discuss our views further. If you have any questions or require additional information, please do not hesitate to contact Tara R. Buckley (tara.buckley@ici.org) or William Thum (bthum@sifma.org).

¹⁰ SEC Rule 2a-7 under the 1940 Act imposes a minimum daily liquid assets requirement (25% of total assets) and minimum weekly liquid asset requirement (50% of total assets) on MMFs. See SEC Rule 2a-7(d)(4). Under SEC Rule 2a-7, MMFs also may not invest in securities with a remaining maturity of greater than 397 days and must maintain a WAM that cannot exceed 60 calendar days and a dollar-weighted average portfolio life to maturity ("WAL") that cannot exceed 120 calendar days. See SEC Rule 2a-7(d)(1).

¹¹ Under SEC Rule 2a-7, an individual security's maturity is calculated based on the security's stated final maturity date or, under certain circumstances, the date of the next demand feature when the MMF may receive payment of principal and interest or the period remaining until the next readjustment of the interest rate. A MMF's WAM and WAL are calculated in a similar manner, except that WAL is determined without reference to interest rate readjustments. See SEC Rule 2a-7(i).

Respectfully submitted,

/s/ Tara R. Buckley
Tara R. Buckley
Deputy General Counsel, Financial Regulation,
ICI

A handwritten signature in black ink, appearing to read 'W. Thum', with a long horizontal flourish extending to the right.

William C. Thum
Managing Director and Associate General
Counsel, SIFMA AMG

cc: The Hon. Michael S. Selig, CFTC Chairman
Thomas Smith, Acting Director, Market Participants Division, CFTC
Lily Bozhanova, Associate Director, Market Participants Division, CFTC