



August 5, 2020

Christopher Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21st Street NW  
Washington, DC 20581

**Re: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants: RIN 3038-AF02 and RIN 3038-AF03**

Dear Secretary Kirkpatrick,

The International Swaps and Derivatives Association (ISDA), 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, Managed Funds Association (MFA), Investment Adviser Association (IAA), the Institute of International Bankers (IIB), the Investment Company Institute (ICI), the U.S. Chamber's Center for Capital Markets Competitiveness (CCMC) and the American Council of Life Insurers (ACLI) (together, the Associations<sup>1</sup>) would like to express our appreciation for the swift and decisive actions taken by the Commodity Futures Trading Commission (the "CFTC") 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 CFTC's support of the statement<sup>2</sup> and revised version of the *Final Framework on Margin Requirements for Non-Centrally Cleared Derivatives* (Final Framework)<sup>3</sup> 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, 2020<sup>4</sup> by the Associations and other global financial market associations requesting a delay of the final phase-in periods for regulatory initial margin.

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<sup>1</sup> See Appendix for descriptions of the Associations.

<sup>2</sup> <https://www.iosco.org/news/pdf/IOSCONEWS560.pdf>

<sup>3</sup> *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>.

<sup>4</sup> <https://www.isda.org/a/sM7TE/IMPhase5-6COVID-19Letter.pdf>

The Associations strongly support both the Interim Final Rule<sup>5</sup> and the Notice of Proposed Rulemaking<sup>6</sup> issued in respect of the CFTC’s *Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants* (the “Margin Rules”) which, respectively, defer the compliance date 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). 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 relationships<sup>7</sup> 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.

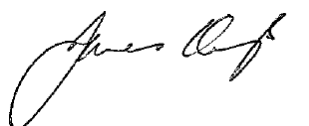
While our members have robust business continuity plans in place that are functioning well, given the overwhelmingly disruptive nature of the pandemic, our members' efforts to prepare for the final phases of regulatory IM have been severely impacted due to personnel, systems and other issues. Although 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 CFTC and global regulators to come into compliance with the IM regulations.

The Associations support the adoption of both the Interim Final Rule and the Notice of Proposed Rulemaking as proposed and look forward to their finalization. In addition, we would like to note our support of the discussion held during the CFTC Open Meeting on July 22, 2020 in which staff from the Division of Swap Dealer and Intermediary Oversight discussed prospective amendments to the Margin Rules based on the *Recommendations to Improve Scoping and Implementation of Initial Margin Requirements for Non-Cleared Swaps*<sup>8</sup> made to the CFTC’s Global Markets Advisory Committee. We appreciate the leadership taken by the CFTC to consider these important recommendations and encourage the CFTC and U.S. prudential regulators to address the recommendations in the report in a coordinated manner.

Sincerely,



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



James Kemp  
Managing Director  
**Global Foreign Exchange Division, GFMA**

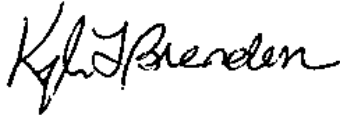
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<sup>5</sup> 85 Fed. Reg. 41346 (July 10, 2020)

<sup>6</sup> 85 Fed. Reg. 41463 (July 10, 2020)

<sup>7</sup> 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.

<sup>8</sup> [https://www.cftc.gov/media/3886/GMAC\\_051920MarginSubcommitteeReport/download](https://www.cftc.gov/media/3886/GMAC_051920MarginSubcommitteeReport/download)



Kyle Brandon  
Managing Director, Head of Derivatives  
Policy, **SIFMA**

/s/

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



Timothy W. Cameron, Esq.  
**Asset Management Group** – Head  
and, Managing Director **Securities Industry and  
Financial Markets Association**

/s/

Gail C. Bernstein  
General Counsel  
**Investment Adviser Association**



Briget Polichene  
Chief Executive Officer  
**Institute of International Bankers**

/s/

Sarah A. Bessin  
Associate General Counsel  
**Investment Company Institute**



Allison Parent  
Executive Director  
**GFMA**



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



Michael Lovendusky  
Vice President & Associate General  
Counsel  
**American Council of Life Insurers**

## 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](http://www.isda.org). Follow us on Twitter @ISDA.

**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/](http://www.gfma.org/foreign-exchange/)

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 **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](http://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](http://www.iib.org).

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.

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 American Council of Life Insurers (**ACLI**) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 94 percent of industry assets in the United States.