CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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November 19, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Submitted electronically

Re: Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers (File No. S7-08-12)

Dear Mr. Fields:

The U.S. Chamber of Commerce[1] ("Chamber") created the Center for Capital Markets Competitiveness ("CCMC") to advance the United States' global leadership in capital formation.

CCMC appreciates the opportunity to comment on the U.S. Securities and Exchange Commission's ("SEC" or "Commission") re-opened proposal on capital, margin, and segregation requirements for security-based swap dealers ("SBSDs") and major security-based swap participants ("MSBSPs") and capital requirements for broker-dealers ("Proposal").

A final regulatory regime for security-based swaps will provide necessary certainty for market participants and we welcome the SEC's Proposal, which makes a number of positive recommendations. For example, we appreciate the SEC's approach to allow portfolio margining, which will more closely align margin requirements with the overall risk of a customer's portfolio. We also support allowing for substituted compliance by foreign nonbank SBSDs.

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[1] The Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions.

However, we urge the Commission to harmonize its rules where practicable with global standard setters and domestic regulators that have finalized capital, margin, and segregation requirements.

Additionally, given the extent of the Proposal's implications on SBSDs, MSBSPs, and the markets, we reiterate that the Commission should re-propose its rule, rather than re-opening the comment period on previously proposed rules[2]. A re-proposal would provide greater clarity as to how the SEC will account for regulatory approaches that have been finalized since the rules were initially proposed more than six years ago.

Cross-Border Substituted Compliance

CCMC supports the provisions to allow for substituted compliance for foreign nonbank SBSDs. Regarding the metrics to be taken into account in substituted compliance decisions, we encourage the SEC to take into account the comprehensive requirements of the foreign financial regulatory system, rather than apply a rule-by-rule comparison. CCMC supports outcomes-based substituted compliance decisions in order to allow cross-border markets to continue functioning effectively and efficiently and avoid potential market fragmentation.

Harmonization with Existing Regulatory Regimes and Practices

Since the SEC proposed regulations on capital, margin, and segregation for SBSDs and MSBSPs in 2012, 2013, and 2014, global standard setters have finalized recommendations and the Commodity Futures Trading Commission (CFTC) and prudential regulators have finalized regulations. The SEC should harmonize its security-based swaps regulatory regime as closely as practicable with these existing regimes to avoid subjecting market participants to duplicative, conflicting, or unnecessarily costly regulatory requirements. Such unnecessary increased costs would be passed down to end-users, increasing the cost of hedging risks.

We commend the SEC for recognizing in certain parts of the Proposal the need to account for existing regulatory regimes. For example, we support the

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[2] See the joint trades' letter to SEC on October 24, 2018, requesting a re-proposal or an extension of the deadline for comments on the reopened proposal, signed by ISDA, ICI, CCMC, and MFA.

provision to allow firms to use the industry-developed uniform model to compute initial margin, which was developed by firms since the finalization of the CFTC and prudential regulators' margin rules. We would further suggest the SEC permit firms to use such models for equity-linked swaps. As noted in the Proposal, this would increase transparency and decrease margin disputes among counterparties.

Regarding the SEC's consideration of a threshold below which initial margin does not need to be collected, CCMC believes the SEC should adopt the existing $50 million threshold established by the prudential regulators and the CFTC and consistent with the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) margin requirements[3]. Harmonization with the global framework would ensure consistent treatment of financial instruments that are largely the same, allowing the markets to continue to operate efficiently.

To promote further market efficiency, CCMC and ISDA published a white paper advocating for a safe harbor for compliance with the CFTC's and SEC's swap and security-based swap regulatory regimes. The safe harbor would allow firms to rely on their compliance with one commission's rules to satisfy comparable requirements set by the other commission. However, to avoid regulatory arbitrage, this safe-harbor approach would be most effective if the SEC's security-based swaps regulations align closely with the CFTC's swaps regulations.

We appreciate the opportunity to comment and look forward to continuing to work with the SEC on this issue.

Sincerely,

Tom Quaadman

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[3] BCBS and IOSCO, "Margin Requirements for Non-Centrally Cleared Derivatives," March 2015