

## **SPEECHES & TESTIMONY**

### **Statement of Concurrence by Commissioner Rostin Behnam**

#### **Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants (Notice of Proposed Rulemaking)**

**October 16, 2019**

I respectfully concur with the Commodity Futures Trading Commission's (the "Commission" or "CFTC") decision today to issue proposed amendments to its regulations that would align the implementation schedule for margin requirements for uncleared swaps applicable to swap dealers ("SDs") and major swap participants ("MSPs") for which there is no prudential regulator with the recently revised schedule issued by the Basel Committee on Banking Supervision ("BCBS") and the International Organization of Securities Commissions ("IOSCO").<sup>[1]</sup> This proposal is also consistent with a recently proposed joint rulemaking by the Prudential Regulators that would similarly amend the margin implementation schedule for SDs and MSPs subject to their regulations.

The staffs at the CFTC and the Prudential Regulators, with feedback from market participants, have worked closely with our international counterparts through the BCBS/IOSCO Working Group on Margining Requirements ("WGMR") towards a smooth transition, actively engaging to address implementation risks alongside market developments and ongoing regulatory evolution. I commend the work of the WGMR and in particular, the members of our CFTC staff. I believe today's proposal appropriately harmonizes and addresses the various impacts of legal frameworks on effective segregation and collateral arrangements, on risk-based model approval and implementation, and with respect to different derivatives products and different types of entities. As I have said before, implementing the margin requirements for uncleared swaps is a challenge we face collectively.<sup>[2]</sup> As global harmonization is a key hallmark of the 2009 G20 reforms, ensuring we remain vigilant in working together towards these feats of regulatory engineering will serve us all well into the future.

As proposed, the extension of the compliance schedule for initial margin requirements for an additional year does not alter our expectation that the large number of covered entities who will come into the scope of compliance on September 1, 2021 will continue to diligently work towards compliance. Whereas our goal with this proposed rulemaking focuses on transition risk-- mitigating potential market disruption due largely to the limitations of service providers and related operational burdens -- I will maintain high expectations that with additional time and a clear demand for services, market participants and the entities they engage will focus resources on compliance as opposed to relief.

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<sup>[1]</sup> See BCBS and IOSCO "Margin requirements for non-centrally cleared derivatives," (July 2019), <https://www.bis.org/bcbs/publ/d475.pdf>.

<sup>[2]</sup> See Rostin Behnam, Our Collective Strength, Remarks of CFTC Commissioner Rostin Behnam at the 2018 ISDA Annual Japan Conference, Shangri-La Hotel, Tokyo (Oct. 26, 2018), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opabehnam11>; Rostin Behnam, Sowing the Seeds of Success in 2020, Remarks of CFTC Commissioner Rostin Behnam at the ISDA 34<sup>th</sup> Annual General Meeting, Grand Hyatt Hong Kong, Hong Kong (Apr. 9, 2019), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opabehnam13>.