

Public Statement

Opening Statement at the SEC Open Meeting



Chairman Jay Clayton

Oct. 11, 2018

Good afternoon. This is an open meeting of the U.S. Securities and Exchange Commission, under the Government in the Sunshine Act.

I would like to start by welcoming Commissioner Elad Roisman to his first open meeting as a commissioner.

The first and only item on the agenda today is a recommendation from the Division of Trading and Markets. The Division is recommending that the Commission reopen the comment period and request additional comment regarding the proposed rules and amendments for capital, margin, and segregation requirements for security-based swap dealers (“SBSDs”) and major security-based swap participants, and capital requirements for broker-dealers.

The SEC has finalized many, but not all, of the Title VII rules that Congress directed us to establish. As we seek to complete the remaining Title VII rules, this comment period re-opening will provide the public with another opportunity to comment on several important proposals. The Commission originally proposed the security-based swap capital, margin, and segregation rules in 2012. We then proposed provisions to establish the cross-border treatment of these requirements in 2013, and then proposed an additional nonbank SBSD capital requirement in 2014.^[1]

Subsequently, the Commission has adopted other Title VII rules, and the CFTC and the U.S. prudential regulators have adopted or proposed various Title VII rules relevant to the proposals. For example, in 2015, the CFTC and the prudential regulators finalized uncleared swap margin requirements.^[2]

Additionally, the SEC staff has been actively engaged with our counterparts at the CFTC to find ways to further harmonize our respective rules to increase effectiveness and reduce complexity and costs. I want to thank Commissioner Peirce for her particular attention to this area. I have benefited, and I know the staff has as well, from our interaction.

While the Commission has already received a number of comment letters on the proposals at hand today, I believe that it is a common sense step to reopen the comment period for the proposals.

As I have said before, one of my guiding principles is that because markets are constantly changing, we must continually evaluate our approach to regulation. We may be on the right path, but where appropriate we should test that view. Today’s recommendation reflects that principle with respect to the security-based swap markets.

Turning back to the recommendation at hand today – before I ask Brett Redfearn, Director of the Division of Trading and Markets, to discuss the staff’s recommendation, I would like to thank Brett, as well as Lizzie Baird,

Mike Macchiaroli, Tom McGowan, Randall Roy, Sheila Swartz, Valentina Deng, Tim Fox, and Ray Lombardo from the Division of Trading and Markets, for their hard work on this proposed comment re-opening.

I would also like to thank Meridith Mitchell, Lori Price, Robert Teply, and Donna Chambers from the Office of the General Counsel; and Chyhe Becker, Hari Phatak, Vanessa Countryman, Y.C. Loon, Iulian Obreja, and Charles Lin from the Division of Economic and Risk Analysis.

Finally, I would like to thank my fellow Commissioners and their counsels for their engagement on, and thoughtful feedback about this comment period reopening considered today.

Now, I will turn it over to Brett to present the staff's recommendation.

[1] *Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers*, Exchange Act Release No. 68071 (Oct. 18, 2012), 77 FR 70214 (Nov. 23, 2012); *Cross-Border Security-Based Swap Activities; Re-Proposal of Regulation SBSR and Certain Rules and Forms Relating to the Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants*, Exchange Act Release No. 69490 (May 1, 2013), 78 FR 30968 (May 23, 2013); *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25194, 25254 (May 2, 2014).

[2] FRB, OCC, FDIC, FCA, FHFA, *Margin and Capital Requirements for Covered Swap Entities*, 80 FR 74840 (Nov. 30, 2015); CFTC, *Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants*, 81 FR 636 (Jan. 6, 2016).