



COMMODITY FUTURES TRADING COMMISSION

Agency Information Collection Activities: Notice of Intent to Revise and Extend Collection 3038-0111: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; Comparability Determinations with Margin Requirements

AGENCY: Commodity Futures Trading Commission.

ACTION: Notice.

SUMMARY: The Commodity Futures Trading Commission (“CFTC” or “Commission”) is announcing an opportunity for public comment on the proposed revision and renewal of a collection of certain information by the agency. Under the Paperwork Reduction Act (“PRA”), Federal agencies are required to publish notice in the *Federal Register* concerning each proposed collection of information, including proposed extension of an existing collection of information, and to allow 60 days for public comment. This notice solicits comments on the burdens associated with the following aspects of the Commission’s Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants (“Final Rule”): requesting a comparability determination from the Commission; maintaining policies and procedures for compliance with the Commission’s special provisions for non-netting jurisdictions and non-segregation jurisdictions; and maintaining books and records properly documenting that all of the requirements of the special provisions for non-netting jurisdictions and non-segregation jurisdictions are satisfied.

DATES: Comments must be submitted on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: You may submit comments, and “OMB Control No. 3038-0111” by any of the following methods:

- The Agency’s web site, at <http://comments.cftc.gov/>. Follow the instructions for submitting comments through the web site.

- Mail: Christopher Kirkpatrick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581.

- Hand Delivery/Courier: Same as Mail above.

Please submit your comments using only one method.

FOR FURTHER INFORMATION CONTACT: Lauren Bennett, Special Counsel, Division of Swap Dealer and Intermediary Oversight, Commodity Futures Trading Commission, (202) 418-5290 or lbennett@cftc.gov.

SUPPLEMENTARY INFORMATION: Under the PRA, 44 U.S.C. 3501 *et seq.*, Federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. “Collection of Information” is defined in 44 U.S.C. 3502(3) and 5 CFR 1320.3 and includes agency requests or requirements that members of the public submit reports, keep records, or provide information to a third party. Section 3506(c)(2)(A) of the PRA, 44 U.S.C. 3506(c)(2)(A), requires Federal agencies to provide a 60-day notice in the *Federal Register* concerning each proposed collection of information, including each proposed extension of an existing collection of information, before submitting the collection to

OMB for approval. To comply with this requirement, the CFTC is publishing notice of the proposed extension and revision to the collection listed below. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Title: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; Comparability Determinations With Margin Requirements (OMB Control No. 3038-0111). This is a request for an extension and revision of a currently approved information collection.

Abstract: Section 731 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”),¹ amended the Commodity Exchange Act (“CEA”), 7 U.S.C. 1 *et seq.*, to add, as section 4s(e) thereof, provisions concerning the setting of initial and variation margin requirements for swap dealers (“SDs”) and major swap participants (“MSPs”).² Each SD and MSP for which there is a Prudential Regulator, as defined in section 1a(39) of the CEA,³ must meet margin requirements established by the applicable Prudential Regulator, and each SD and MSP for which there is no Prudential Regulator (“Covered Swap Entities” or “CSEs”) must comply with the Commission's regulations governing margin on all swaps that are not centrally cleared.

With regard to the cross-border application of the Commission's margin rules, section 2(i)⁴ of the CEA provides the Commission with express authority over activities outside the United States relating to swaps when certain conditions are met. Section 2(i) of the CEA provides that the provisions of the CEA relating to swaps that were enacted

¹ Pub. L. 111-023, 124 Stat. 1376 (2010).

² 7 U.S.C. 6s(e).

³ 7 U.S.C. 1a(39).

⁴ 7 U.S.C. 2(i).

by the Wall Street Transparency and Accountability Act of 2010 (including any rule prescribed or regulation promulgated under that Act), shall not apply to activities outside the United States unless those activities (1) have a direct and significant connection with activities in, or effect on, commerce of the United States or (2) contravene such rules or regulations as the Commission may prescribe or promulgate as are necessary or appropriate to prevent the evasion of any provision of the CEA that was enacted by the Wall Street Transparency and Accountability Act of 2010.

On May 31, 2016, the Commission published a final rule addressing the cross-border application of its margin requirements for uncleared swaps applicable to CSEs.⁵ As described below, the adopting release for the Final Rule contained a collection of information regarding requests for comparability determinations, which was previously included in the proposing release, and for which the Office of Management and Budget (“OMB”) assigned OMB control number 3038-0111, titled “Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; Comparability Determinations With Margin Requirements.” In addition, the adopting release included two additional information collections regarding non-netting jurisdictions⁶ and non-segregation jurisdictions⁷ that were not previously proposed. Subsequently, on August 2, 2016, the Commission requested a revision of the collection for Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; Comparability

⁵ 81 FR 34818 (May 31, 2016).

⁶ As used in the adopting release, a “non-netting jurisdiction” is a jurisdiction in which a CSE cannot conclude, with a well-founded basis, that the netting agreement with a counterparty in that foreign jurisdiction meets the definition of an “eligible master netting agreement” set forth in the Final Rule, as described in section II.B.5.b of the adopting release.

⁷ As used in the adopting release, a “non-segregation jurisdiction” is a jurisdiction where inherent limitations in the legal or operational infrastructure of the foreign jurisdiction make it impracticable for the CSE and its counterparty to post initial margin pursuant to custodial arrangements that comply with the Commission’s margin rules, as further described in section II.B.4.b of the adopting release.

Determinations With Margin Requirements (OMB control number 3038-0111) to include the burden estimates for the provisions regarding non-netting jurisdictions and non-segregation jurisdictions.⁸

Under section 23.160(c)(1) of the Final Rule, a CSE that is eligible for substituted compliance or a foreign regulatory agency that has direct supervisory authority over one or more CSEs and that is responsible for administering the relevant foreign jurisdiction's margin requirements may request, individually or collectively, that the Commission make a determination that a CSE that complies with margin requirements in the relevant foreign jurisdiction would be deemed to be in compliance with the Commission's corresponding margin rule promulgated by the Commission (a "comparability determination"). Once a comparability determination is made for a jurisdiction, it applies for all entities or transactions in that jurisdiction to the extent provided in the comparability determination, as approved by the Commission and subject to any conditions specified by the Commission. All CSEs, regardless of whether they rely on a comparability determination, remain subject to the Commission's examination and enforcement authority.

Section 23.160(c)(2) of the Final Rule requires that applicants for a comparability determination provide copies of the relevant foreign jurisdiction's margin requirements and descriptions of their objectives, how they differ from the BCBS/IOSCO international framework, and how they address the elements of the Commission's margin requirements. The applicant must identify the specific legal and regulatory provisions of the foreign jurisdiction's margin requirements that correspond to each element and, if

⁸ 81 FR 50690 (Aug. 2, 2016).

necessary, whether the relevant foreign jurisdiction's margin requirements do not address a particular element.

Section 23.160(d) of the Final Rule includes a special provision for non-netting jurisdictions. This provision allows CSEs that cannot conclude after sufficient legal review with a well-founded basis that the netting agreement with a counterparty in a foreign jurisdiction meets the definition of an "eligible master netting agreement" set forth in the Final Rule to nevertheless net uncleared swaps in determining the amount of margin that they post, provided that certain conditions are met. In order to avail itself of this special provision, a CSE must treat the uncleared swaps covered by the agreement on a gross basis in determining the amount of initial and variation margin that it must collect, but may net those uncleared swaps in determining the amount of initial and variation margin it must post to the counterparty, in accordance with the netting provisions of the Final Rule. A CSE that enters into uncleared swaps in "non-netting" jurisdictions in reliance on this provision must have policies and procedures ensuring that it is in compliance with the special provision's requirements, and maintain books and records properly documenting that all of the requirements of this exception are satisfied.

Section 23.160(e) of the Final Rule includes a special provision for non-segregation jurisdictions that allows non-U.S. CSEs that are Foreign Consolidated Subsidiaries (as defined in the Final Rule) and foreign branches of U.S. CSEs to engage in swaps in foreign jurisdictions where inherent limitations in the legal or operational infrastructure make it impracticable for the CSE and its counterparty to post collateral in compliance with the custodial arrangement requirements of the Commission's margin rules, subject to certain conditions. In order to rely on this special provision, a Foreign

Consolidated Subsidiary (“FCS”) or foreign branch of a U.S. CSE is required to satisfy all of the conditions of the rule, including that (1) inherent limitations in the legal or operational infrastructure of the foreign jurisdiction make it impracticable for the CSE and its counterparty to post any form of eligible initial margin collateral for the uncleared swap pursuant to custodial arrangements that comply with the Commission’s margin rules; (2) foreign regulatory restrictions require the CSE to transact in uncleared swaps with the counterparty through an establishment within the foreign jurisdiction and do not permit the posting of collateral for the swap in compliance with the custodial arrangements of section 23.157 of the Final Rule in the United States or a jurisdiction for which the Commission has issued a comparability determination under the Final Rule with respect to section 23.157; (3) the CSE’s counterparty is not a U.S. person and is not a CSE, and the counterparty’s obligations under the uncleared swap are not guaranteed by a U.S. person; (4) the CSE collects initial margin in cash on a gross basis, in cash, and posts and collects variation margin in cash, for the uncleared swap in accordance with the Final Rule; (5) for each broad risk category, as set out in § 23.154(b)(2)(v) of the Final Rule, the total outstanding notional value of all uncleared swaps in that broad risk category, as to which the CSE is relying on § 23.160 (e), may not exceed 5 percent of the CSE’s total outstanding notional value for all uncleared swaps in the same broad risk category; (6) the CSE has policies and procedures ensuring that it is in compliance with the requirements of this provision; and (7) the CSE maintains books and records properly documenting that all of the requirements of this provision are satisfied.

With respect to the collection of information, the CFTC invites comments on:

- Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information will have a practical use;
- The accuracy of the Commission's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Ways to enhance the quality, usefulness, and clarity of the information to be collected; and
- Ways to minimize the burden of collection of information on those who are to respond, including through the use of appropriate automated electronic, mechanical, or other technological collection techniques or other forms of information technology; e.g., permitting electronic submission of responses.

All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to <http://www.cftc.gov>. You should submit only information that you wish to make available publicly. If you wish the Commission to consider information that you believe is exempt from disclosure under the Freedom of Information Act, a petition for confidential treatment of the exempt information may be submitted according to the procedures established in § 145.9 of the Commission's regulations.⁹

The Commission reserves the right, but shall have no obligation, to review, pre-screen, filter, redact, refuse or remove any or all of your submission from <http://www.cftc.gov> that it may deem to be inappropriate for publication, such as obscene

⁹ 17 CFR 145.9.

language. All submissions that have been redacted or removed that contain comments on the merits of the ICR will be retained in the public comment file and will be considered as required under the Administrative Procedure Act and other applicable laws, and may be accessible under the Freedom of Information Act.

Burden Statement – Information Collection for Comparability Determinations:

The Commission estimates that approximately 55 CSEs may request a comparability determination pursuant to section 23.160(c) of the Final Rule.¹⁰ The Commission notes that any foreign regulatory agency that has direct supervisory authority over one or more CSEs and that is responsible for administering the relevant foreign jurisdiction’s margin requirements may also apply for a comparability determination. Further, once a comparability determination is made for a jurisdiction, it will apply for all entities or transactions in that jurisdiction to the extent provided in the determination, as approved by the Commission. To date, the Commission has issued a comparability determination for 3 jurisdictions.¹¹ Accordingly, the Commission estimates that it will receive requests from the 13 remaining jurisdictions within the G20, in addition to Switzerland. In light of its experience in evaluating requests for comparability determinations, the Commission is revising its estimate for the number of burden hours associated with such

¹⁰ Currently, there are approximately 107 swap entities provisionally registered with the Commission. The Commission estimates that of the approximately 107 swap entities that are provisionally registered, approximately 55 are CSEs for which there is no Prudential Regulator, and are therefore subject to the Commission’s margin rules.

¹¹ See Comparability Determination for Japan: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 FR 63376 (Sep. 15, 2016); Comparability Determination for the European Union: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 82 FR 48394 (Oct. 18, 2017) (“Margin Comparability Determination for the European Union”); and Comparability Determination for Australia: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 84 FR 12908 (Apr. 3, 2019). The Commission subsequently amended its comparability determination for Japan. See Amendment to Comparability Determination for Japan: Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 84 FR 12074 (Apr. 1, 2019).

requests from 10 hours to 40 hours. Accordingly, the respondent burden for this collection is estimated to be as follows:

Estimated Number of Respondents: 14.

Estimated Average Burden Hours Per Respondent: 40.

Estimated Total Annual Burden Hours: 560.

Frequency of Collection: Once.

There are no capital costs or operating and maintenance costs associated with this collection.

Burden Statement – Information Collection for Non-Netting Jurisdictions: The Commission estimates that approximately 55 CSEs may rely on section 23.160(d) of the Final Rule.¹² Furthermore, the Commission estimates that these CSEs would incur an average of 10 annual burden hours to maintain books and records properly documenting that all of the requirements of this exception are satisfied (including policies and procedures ensuring compliance). Accordingly, the respondent burden for this collection is estimated to be as follows:

Estimated Number of Respondents: 55.

Estimated Average Burden Hours Per Respondent: 10.

Estimated Total Annual Burden Hours: 550.

Frequency of Collection: Once; As needed.

There are no capital costs or operating and maintenance costs associated with this collection.

¹² Currently, there are approximately 107 swap entities provisionally registered with the Commission. The Commission estimates that of the approximately 107 swap entities that are provisionally registered, approximately 55 are CSEs for which there is no Prudential Regulator, and are therefore subject to the Commission's margin rules. Because all of these CSEs are eligible to use the special provision for non-netting jurisdictions, the Commission estimates that 55 CSEs may rely on section 23.160(d) of the Final Rule.

Burden Statement – Information Collection for Non-Segregation Jurisdictions:

The Commission estimates that there are eight jurisdictions for which the first two conditions specified above for non-segregation jurisdictions are satisfied and where FCSs and foreign branches of U.S. CSEs that are subject to the Commission's margin rules may engage in swaps. The Commission estimates that approximately 12 FCSs or foreign branches of U.S. CSEs may rely on section 23.160(e) of the Final Rule in some or all of these jurisdictions. The Commission estimates that each FCS or foreign branch of a U.S. CSE relying on this provision would incur an average of 20 annual burden hours to maintain books and records properly documenting that all of the requirements of this provision are satisfied (including policies and procedures for ensuring compliance) with respect to each jurisdiction as to which they rely on the special provision. Thus, based on the estimate of eight non-segregation jurisdictions, the Commission estimates that each of the approximately 12 FCSs or foreign branches of U.S. CSEs that may rely on this provision will incur an estimated 160 average burden hours per year (*i.e.*, 20 average burden hours per jurisdiction multiplied by 8). Accordingly, the respondent burden for this collection is estimated to be as follows:

Estimated Number of Respondents: 12.

Estimated Average Burden Hours Per Respondent: 160.

Estimated Total Annual Burden Hours: 1,920.

Frequency of Collection: Once; As needed.

There are no capital costs or operating and maintenance costs associated with this collection.

(Authority: 44 U.S.C. 3501 *et seq.*)

Dated: August 16, 2019.

Robert Sidman,

Deputy Secretary of the Commission.

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