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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106759; File No. S7-2026-38]

Notice of Potential Change to Increase Maximum Fixed-Dollar Amount for Alternative Compliance Mechanism for Security-Based Swap Dealers that Are Registered as Swap Dealers and Have Limited Security-Based Swap Activities

October 28, 2026.

On October 26, 2026, Mizuho Capital Markets LLC ("MCM") requested that the Securities and Exchange Commission ("Commission") increase the maximum fixed-dollar amount of an security-based swap dealer's ("SBSD") aggregate gross notional outstanding security-based swap ("SBS") positions to qualify for Rule 18a-10's[1] alternative compliance mechanism ("ACM") from $50 billion to $100 billion.[2] After considering the levels of SBS activity of SBSDs operating under Rule 18a-10, the Commission determines that it may be appropriate to change the maximum fixed-dollar amount for any SBSD eligible for Rule 18a-10 to $100 billion. Pursuant to Rule 18a-10(f)(2), the Commission is publishing this notice of the potential change to provide interested persons with an opportunity to comment.

I. Background

In 2019, the Commission adopted Rule 18a-1 and Rules 18a-3 through 18a-9 establishing capital, margin, segregation, recordkeeping, reporting, notification, and security count requirements applicable to SBSDs that are not banks and are not registered as broker-

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1 *See* 17 CFR 240.18a-10 ("Rule 18a-10").

2 The request is attached as an Appendix to this notice ("Request"). MCM is registered with the Commodity Futures Trading Commission ("CFTC") as a swap dealer and is registered with the Commission as an SBSD.

dealers ("stand-alone SBSDs").[3] The Commission also adopted Rule 18a-10, which establishes an ACM pursuant to which a stand-alone SBSD that is registered as a swap dealer and predominantly engages in a swaps business may elect to comply with the capital, margin, segregation, recordkeeping, and reporting requirements of the Commodity Exchange Act ("CEA") and the CFTC's rules in lieu of complying with Rules 18a-1 and Rules 18a-3 through 18a-9.[4]

The Capital, Margin, and Segregation Release explains the rationale for the ACM as follows: "In light of the differences between the rules of the Commission and the CFTC, the Commission believes it is appropriate to permit such firms to comply with the capital, margin, and segregation requirements of the CEA and the CFTC's rules, provided the firm's [SBS] business is not a significant part of the [SBS] market and predominantly involves dealing in swaps as compared to [SBS]. In this circumstance, the CFTC's regulatory interest in the firm will greatly exceed the Commission's regulatory interest given the relative size of its swaps business as compared to its [SBS] business."[5]

To qualify to operate pursuant to Rule 18a–10, the stand-alone SBSD must: (1) be registered as an SBSD pursuant to section 15F(b) of the Exchange Act and the rules thereunder, (2) be registered as a swap dealer pursuant to section 4s of the CEA and the rules

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3 *See* Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital and Segregation Requirements for Broker-Dealers, Securities Exchange Act ("Exchange Act") Release No. 86175 (June 21, 2019), 84 FR 43872 (Aug. 22, 2019) ("Capital, Margin, and Segregation Release") (adopting, among other things, 17 CFR 240.18a-1 ("Rule 18a-1") (capital requirements), 17 CFR 240.18a-3 ("Rule 18a-3") (margin requirements), and 17 CFR 240.18a-4 (segregation requirements)). *See* Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers, Exchange Act Release No. 87005 (Sept. 19, 2019), 84 FR 68550 (Dec. 16, 2019) (adopting, among other things, 17 CFR 240.18a-5 (record making requirements), 17 CFR 240.18a-6 (record preservation requirements), 17 CFR 240.18a-7 (reporting requirements), 17 CFR 240.18a-8 (notification requirements), and 17 CFR 240.18a-9 ("Rule 18a-9") (security count requirements)).

4 *See id. See also* 17 CFR 240.18a-10.

5 *See* Capital, Margin, and Segregation Release, 84 FR at 43944.

thereunder, (3) not be registered as a broker or dealer pursuant to section 15 of the Exchange Act and the rules thereunder, and (4) meet the conditions to be exempt from paragraph (f) of Exchange Act rule 18a-4.[6] In addition to these other conditions, the aggregate gross notional amount of the firm's outstanding SBS positions must not exceed the lesser of a maximum fixed-dollar amount or 10% of the combined aggregate gross notional amount of the firm's SBS and swap positions.[7]

The maximum fixed-dollar amount was set at a transitional level of $250 billion for the first 3 years after the compliance date of the rule and then dropped to $50 billion thereafter unless the Commission issues an order: (1) maintaining the $250 billion maximum fixed-dollar amount for an additional period of time or indefinitely; or (2) lowering the maximum fixed-dollar amount to an amount between $250 billion and $50 billion.[8] In explaining the $50 billion fixed-dollar amount, the Commission stated its belief that "a stand-alone SBSD with a gross notional amount of outstanding [SBS] of no more than $50 billion will not be a significant participant in the [SBS] market."[9] In contrast, the transitional $250 billion fixed dollar-amount was adopted to provide stand-alone SBSDs predominantly engaged in a swaps business "with a substantial amount of leeway to develop their [SBS] business without managing the level of that business to the lower $50 billion threshold," as well as "additional time to transition from the $250 billion threshold to the $50 billion threshold or another threshold."[10]

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6 *See* 17 CFR 240.18a-10(a)(1)-(a)(4).

7 *See* 17 CFR 240.18a-10(a)(5).

8 *See* 17 CFR 240.18a-10(f)(1).

9 *See* Capital, Margin, and Segregation Release, 84 FR at 43944-45.

10 *See* Capital, Margin, and Segregation Release, 84 FR at 43945.

Since more than 3 years have passed since the compliance date for Rule 18a-10, the current maximum fixed-dollar amount is $50 billion. For context, the gross notional amount of SBS outstanding on December 26, 2025 was approximately $7,265.144 billion.[11] The Capital, Margin, and Segregation Release stated that "[t]he Commission intends to analyze how significant . . . [SBSDs] are to the [SBS] market and broader securities markets based on their levels of their [SBS] activity. The analysis will consider the firm's individual and collective impact on the [SBS] market."[12] The Commission is considering increasing the maximum fixed-dollar amount in paragraph (f)(1) of Rule 18a-10 from $50 billion to $100 billion. Rule 18a-10(f)(2) provides that if, after considering the levels of SBS activity of the SBSDs operating under the ACM, the Commission determines that it may be appropriate to change the maximum fixed-dollar amount, the Commission will publish a notice of the potential change.[13]

II. Summary of the Request

In the Request, MCM asks the Commission to increase the maximum fixed-dollar amount of the aggregate gross notional outstanding SBS positions for any SBSD eligible for Rule 18a-10 from $50 billion to $100 billion.[14]

In support of its Request, MCM states that it is one of two stand-alone SBSDs operating pursuant to the ACM in Rule 18a-10. MCM represents that its SBS activity represents only a small fraction of its overall derivatives business. From 2022 to 2024, its

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11 *See* Commission, Report on Security-Based Swaps Pursuant to Section 13(m)(2) of the Securities Exchange Act of 1934 (June 26, 2026), *available at* https://www.sec.gov/files/tm/report-security-based-swaps-062626.pdf (adding $5,221,757 from the Depository Trust and Clearing Corporation Data Repository – gross notional amount outstanding table on page 3 of the report and $2,043,387 from the ICE Trade Vault – gross notional amount outstanding table from page 5 of the report).

12 *See* Capital, Margin, and Segregation Release, 84 FR at 43945.

13 *See* 17 CFR 240.18a-10(f)(2).

14 *See* Request at 1.

SBS activity represented less than 0.25% of the firm's total gross notional across SBS and swaps, and only 1.47% of the total active trade count. MCM states that the substantial majority of MCM's derivatives activity is conducted through its swap dealing business, which deals principally in interest rate and foreign exchange derivatives. MCM conducts a significant amount of business with commercial end users not required to post margin to MCM. Only roughly $0.4 billion of MCM's total $2.0 billion tier 1 capital is currently allocated to support SBS activity.[15]

MCM provides the following reasons for increasing the maximum fixed-dollar amount in Rule 18a-10 to $100 billion:[16]

- Consistent with the Design of Rule 18a-10 and the Commission's Reserved Discretion: The Commission expressly built flexibility into Rule 18a-10 to adjust the maximum fixed-dollar amount between $50 billion and $250 billion after reviewing the levels of SBS activity of firms operating under the ACM. Granting MCM's request would be a straightforward exercise of that authority.
- Minimal Impact on the Broader SBS Market: Because only a small number of firms operate under the ACM, and because MCM's SBS activity is a small fraction of its overall derivatives business, increasing the fixed-dollar amount would not distort the broader SBS market. The relief would also reflect the premise underlying the ACM — that, for a firm predominantly engaged in a swaps business, the CFTC's regulatory interest greatly exceeds the Commission's.[17] While granting relief will likely have a small impact on the market, choosing not to grant relief is likely to subject MCM to

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15 *See* Request at 4.

16 *See* Request at 4-6.

17 *Id.* at 44039.

substantial costs that could further incentivize migration of SBS activities into an already smaller cluster of the market, leading to decreased choice for counterparties. Additionally, since much of MCM's SBS activity is related to hedging and internal risk management, it is likely that counterparties and MCM and its affiliates as a whole will face substantial costs and difficulties when mitigating counterparty and hedging risks.

- Promotes Regulatory Comparability: Permitting MCM to continue to comply through the CEA and the CFTC's rules advances the Dodd-Frank Act's goal, of establishing and maintaining comparable minimum capital requirements across the Commission, the CFTC, and the prudential regulators to the maximum extent practicable.[18] Rule 18a-10 provides a unique ability to ease a regulatory burden while fostering harmonization across the securities industry. Relief in this instance furthers regulatory consistency by expanding existing coverage for similar derivatives products in a manner that is inherently coherent.[19]
- Preserves Safety, Soundness, and Liquidity While Reducing Duplicative Costs: MCM would remain subject to the CFTC's comprehensive capital, margin, segregation, and risk management requirements, including its liquidity risk management requirements, so the relief would not compromise MCM's financial

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18 15 U.S.C. 78o-10(e)(3)(D)(ii); *see* Adopting Release at 44035, 44036 (describing the Commission's aim to promote a harmonized regulatory environment for SBSDs).

19 Providing relief by increasing the maximum fixed-dollar amount is also consistent with the CFTC's and SEC's commitment to harmonization in areas of common regulatory interest. In a memorandum of understanding published in March 2026, the SEC and CFTC agreed to coordinate and collaborate between agencies to promote innovation with a "minimum effective dose of regulation." Among those explicit areas of discussion was a commitment to remove regulatory obstacles and to generally enhance the derivatives market, with an aim at lowering compliance frictions and ensuring that the U.S. markets remain competitive. Memorandum of Understanding Between the Commission and the CFTC Regarding Harmonization in Areas of Common Regulatory Interest (Mar. 26, 2026), *available at* https://www.sec.gov/newsroom/press-releases/2026-26-sec-cftc-announce-historic-memorandum-understanding-between-agencies.

soundness. At the same time, the relief would spare MCM the cost and inefficiency of maintaining duplicative capital, margin, and segregation calculations under two regulatory regimes, reducing burdens on both MCM and the Commission's limited resources.[20]

III. Solicitation of Comments

The Commission requests and encourages any interested person to submit comments regarding the potential change, including whether the Commission should increase the maximum fixed-dollar amount of the aggregate gross notional outstanding SBS positions for any SBSD eligible for Rule 18a-10 from $50 billion to $100 billion. In particular, the Commission solicits comment on the following questions:

1. Do commenters agree with MCM's reasons described in the Request for increasing Rule 18a-10's maximum fixed-dollar amount to $100 billion? Please explain why or why not.
2. Would increasing Rule 18a-10's maximum fixed-dollar amount to $100 billion be consistent with paragraph (f)(2) of Rule 18a-10, which requires the Commission to consider the levels of SBS activity of SBSDs operating under the rule? Please explain why or why not.
3. If Rule 18a-10's maximum fixed-dollar amount was increased to $100 billion, how significant could SBSDs relying on the ACM be to the SBS market and broader securities markets based on their SBS activity levels? What would be the individual and collective impact of these firms on the SBS market? Please explain.

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[20] *See* 17 CFR 23.600 (CFTC risk management program requirements for swap dealers, including requirements addressing liquidity risk).

4. Is there a maximum fixed-dollar amount that is lower or higher than the amount in the Request that the Commission should adopt, that accounts for the factors the Commission should consider in changing the maximum fixed-dollar amount? If so, please identify the amount and explain why it is appropriate.

Comments should be received on or before [INSERT DATE 30 DAYS FROM THE DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/comments/s7-2026-38/notice-potential-change-increase-maximum-fixed-dollar-amount-alternative-compliance-mechanism); or
- Send an email to rule-comments@sec.gov. Please include File Number S7-2026-38 on the subject line.

Paper Comments:

- Send paper comments to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-2026-38. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules-regulations/public-comments/s7-2026-38). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

For further information, you may contact Raymond A. Lombardo, Acting Associate Director, Michelle Danis, Acting Associate Director, or Valentina Minak Deng, Special Counsel, Office of Broker-Dealer Finances, Division of Trading and Markets, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-7010.

By the Commission.

Sherry R. Haywood,

Assistant Secretary.

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