



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS



FINANCIAL SERVICES FORUM



Institute of International Bankers



May 13, 2019

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Joseph Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, DC 20024

Re: Inter-Affiliate Initial Margin Requirements

Ladies and Gentlemen:

The undersigned trade associations¹ are writing to respectfully request that the Board of Governors of the Federal Reserve (the “**Board**”), the Farm Credit Administration (the “**FCA**”), the Federal Deposit Insurance Corporation (the “**FDIC**”), the Federal Housing Finance Agency (the “**FHFA**”) and the Office of the Comptroller of

¹ Descriptions of the associations can be found in Appendix B to this letter.

the Currency (the “OCC” and, together with the Board, the FCA, the FDIC and the FHFA, the “**Prudential Regulators**”) promptly modify their margin rules for non-cleared swaps and security-based swaps to make them consistent with international standards. Specifically, we request that the Prudential Regulators provide an exception from initial margin (“**IM**”) requirements for swaps and security-based swaps between affiliates (“**inter-affiliate swaps**”). The Commodity Futures Trading Commission (“**CFTC**”) and regulatory authorities in the European Union, Japan, and most other G20 jurisdictions each currently provides such an exception.

Below we summarize the key considerations supporting this modification to the Prudential Regulators’ margin rules for inter-affiliate swaps. We provide additional details regarding certain of these considerations in **Appendix A** to this letter.

The Prudential Regulators Are the Only Major G20 Authorities to Impose IA IM Requirements. Firms use inter-affiliate swaps to engage in centralized risk management, which promotes safety and soundness and reduces systemic risk by reducing overall group-wide credit exposure to third parties. Noting that “inter-affiliate swaps do not increase the overall risk profile or leverage of the group,” the CFTC determined that imposing IM requirements on inter-affiliate swaps (“**IA IM requirements**”) would “substantially increase the overall amount of margin being collected, and thus the cost of swap transactions generally, without a commensurate benefit to risk reduction to the overall group.”² The CFTC also concluded that IA IM requirements would “limit the ability of U.S. companies to efficiently allocate risk among affiliates and manage risk centrally.”³

In light of these conclusions, the CFTC excluded inter-affiliate swaps from IM requirements. Instead, the CFTC’s margin rules subject inter-affiliate swaps to variation margin (“**VM**”) requirements, centralized risk management requirements, and anti-evasion requirements.⁴ Authorities in Australia, Brazil, Canada, the European Union, Hong Kong, Japan, Korea, Russia, Singapore, and Switzerland have also exempted inter-affiliate swaps from IM requirements, subject to varying conditions.

The Prudential Regulators, in contrast, require the swap dealers, security-based swap dealers, major swap participants, and major security-based swap participants regulated by them (“**prudentially regulated swap entities**”) to collect and segregate IM from affiliates, in addition to exchanging VM. Prudentially regulated swap entities currently include not only U.S. insured state member banks and national banks, but also

² Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants; Final Rule, 81 Fed Reg. 636, 673 (Jan. 6, 2016).

³ *Id.*

⁴ *See* 17 C.F.R. § 23.159.

foreign subsidiaries of national banks, foreign banks that have branches or bank subsidiaries in the U.S., and foreign banks that do not have any U.S. banking operations.⁵

This divergence was recently highlighted by the U.S. Treasury in its October 2017 review of federal regulation of the U.S. financial system, which noted that the Prudential Regulators, CFTC and Securities and Exchange Commission are required by law “to establish and maintain, ‘to the maximum extent practicable,’ comparable capital and margin requirements for swap dealers and major swap participants.”⁶ Treasury went on to recommend that the Prudential Regulators consider providing an exemption for inter-affiliate transactions “in a manner consistent with the margin requirements of the CFTC and the corresponding non-U.S. requirements.”⁷

IA IM Requirements Impose a Significant, and Growing, Competitive and Economic Burden on Firms Operating in the U.S. The Prudential Regulators’ IA IM requirements impose a competitive burden on prudentially regulated swap entities. The size of this burden is significant and growing. An ISDA survey of the 20 firms in-scope for the initial phase of IM requirements found that the amount of IM held by those firms to cover inter-affiliate swaps as of year-end 2018 was \$39.4 billion, which comprised 31% of all regulatory IM as of that date. ISDA has also found that the amount of IM held to cover inter-affiliate swaps increased by over one-third since July 2017.⁸ The cost of this increased margin may be passed down to commercial end-users, who use derivatives to hedge their commercial risk.

Only prudentially regulated swap entities must bear the costs of funding this inter-affiliate IM. Some of these firms hold more IM for inter-affiliate swaps than swaps with third parties. In particular, firms that operate through multiple prudentially regulated banks and banking subsidiaries, rather than CFTC-regulated non-bank subsidiaries, face a disproportionately greater competitive burden.

In addition to the negative competitive impact on these firms, the scale of inter-affiliate IM required and the costs of financing that IM translates to the removal of a significant amount of liquidity that would otherwise be available for more productive use in the economy, without commensurate financial stability benefits. Also, to the extent prudentially regulated swaps entities pass along a portion of the costs of financing inter-affiliate IM to their commercial end-user counterparties using swaps to hedge risks, IA

⁵ There are currently no prudentially regulated swap entities subject to regulation by the FHFA or FCA. Accordingly, this letter does not address such entities.

⁶ U.S. Treasury Department, *A Financial System That Creates Economic Opportunities: Capital Markets* (Oct. 2017) at p. 125.

⁷ *Id.* at p. 130.

⁸ The amount of inter-affiliate IM has increased because the rules grandfathered swaps entered into before September 2016. As these grandfathered swaps mature and are replaced by new inter-affiliate swaps to hedge new client-facing transactions, the new inter-affiliate swaps are subject to IA IM requirements.

IM requirements ultimately result in higher prices for consumer goods and services, also without any commensurate benefit.

These burdens will be exacerbated when the demand for high-quality, liquid collateral increases with the phase-in of additional IM requirements for less significant firms in September 2019 and September 2020. This increased demand is likely to drive up the costs of sourcing this collateral.

IA IM Requirements Create Incentives for Increased Risks and Complexity. In addition to imposing direct costs and competitive burdens, IA IM requirements create incentives for increased risks and complexity. In particular, the costs of segregating IM internally for an inter-affiliate swap, without being able to use the IM to post to any ultimate outward-facing hedge counterparty, discourages inter-affiliate swaps in favor of hedging with third parties, especially for firms that have multiple prudentially regulated swap entities within their groups.

IA IM Requirements Are Not Tailored Towards Protecting U.S. Insured Banks and Can Complicate Resolvability. IA IM requirements are not tailored towards protecting U.S. insured banks. Instead of solely requiring a U.S. insured bank to collect IM from affiliates, the requirements also effectively require U.S. insured banks to post IM to affiliated prudentially regulated swap entities (generally, foreign bank affiliates). This decreases the liquidity available to U.S. insured banks. The requirements do not permit U.S. insured banks to use the IM they collect to fund their lending or other businesses, nor to meet the needs of other outflows, including in connection with a resolution scenario.

Title VII Is the Wrong Framework for Addressing the Unique Considerations Posed by U.S. Insured Banks. Unlike the long-standing rules designed to address the historical “specialness” of U.S. insured banks—Sections 23A and 23B of the Federal Reserve Act—IA IM requirements were not designed to address the unique considerations posed by those banks. Instead, IA IM requirements were adopted as part of the broader Dodd-Frank Title VII framework—a framework designed to mitigate systemic risk arising from OTC derivatives transactions between third parties. When applied to inter-affiliate swaps, the framework results in an undue liquidity burden that discourages efficient and centralized risk management. Many—but not all—of the problems posed by IA IM requirements result from respects in which those requirements depart from Section 23A, such as requiring U.S. insured banks to post IM to affiliated prudentially regulated swap entities, to collect IM from subsidiaries, and to segregate IM. Nor does Section 23B justify the imposition of IA IM requirements.

The Prudential Regulators Should Amend Their Margin Rules to Eliminate IA IM Requirements, Consistent with the CFTC’s Margin Rules. In light of the foregoing, the Prudential Regulators should amend their margin rules to eliminate IA IM requirements. Instead, like the CFTC and many other G20 regulators, they should adopt an exception from IM requirements for inter-affiliate swaps that are subject to VM requirements and a centralized risk management program that is reasonably designed to

monitor and to manage the risks associated with inter-affiliate swaps. In light of the pressing competitive burden posed by IA IM requirements, the Prudential Regulators should adopt this exception promptly, independent of a future rulemaking (if any) to modify how Sections 23A and 23B apply to inter-affiliate swaps.

* * *

If you have any questions regarding the foregoing, please contact the undersigned.

Respectfully submitted,

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Appendix A:
Detailed Considerations Supporting Harmonization of IA IM Requirements

IA IM Requirements Create Incentives for Increased Risks and Complexity

Banking institutions use inter-affiliate swaps to help centralize market risk management and redirect it to where it is best managed within their holding company groups. Centralized market risk management practices are necessary because the legal entity within the group that transacts with a client often is not the entity within the group that is best-positioned to manage the market risk of the client-facing transaction. The determination of the entity most appropriate to face the client may be driven by factors including the entity's local licensing or registration status, tax status, insolvency status, and geographic location. But, due to a variety of legal or regulatory restrictions, that entity may not have access to the markets, products, or infrastructure necessary to hedge the client-facing transaction. The client-facing entity also may not employ the traders with the expertise to manage the risk of the client-facing transaction. Even in cases where it would be legally permissible for the client to transact with multiple entities within a banking institution's group, it may be preferable to centralize a banking institution's transactions with a given client through a single legal entity within the group. This approach maximizes the ability of the parties to net down their credit risk exposure to each other and market risk within their groups.

Against this background, IA IM requirements create incentives for increased risks and complexity. In particular, the costs of segregating IM internally for an inter-affiliate swap, without being able to use the IM to post to any ultimate outward-facing hedge counterparty, discourages inter-affiliate swaps in favor of hedging with third parties. This is especially the case for firms that have multiple prudentially regulated swap entities within their group, which as noted above must collect and post IM with each other.

The risk-mitigating effects of inter-affiliate swaps—and the incentives created by IA IM to take on greater risk and increase complexity—can be illustrated by comparing client-facing transactions executed by a prudentially regulated swap dealer group and hedged by inter-affiliate transactions versus hedged by third-party transactions. Additionally, the un-level playing field created by IA IM requirements can be illustrated by comparing these scenarios with one involving the same client-facing transactions executed by a non-prudentially regulated swap dealer group. For example, consider a U.S. financial end user (“FEU”) client that does not have material swap exposure (“MSE”) (*i.e.*, that is not subject to IM requirements) that seeks to sell a £200 million notional credit default swap (“CDS”) on a broad-based UK corporate index and a U.K. FEU client without MSE seeking to purchase £100 million notional CDS on the same broad-based UK corporate index.

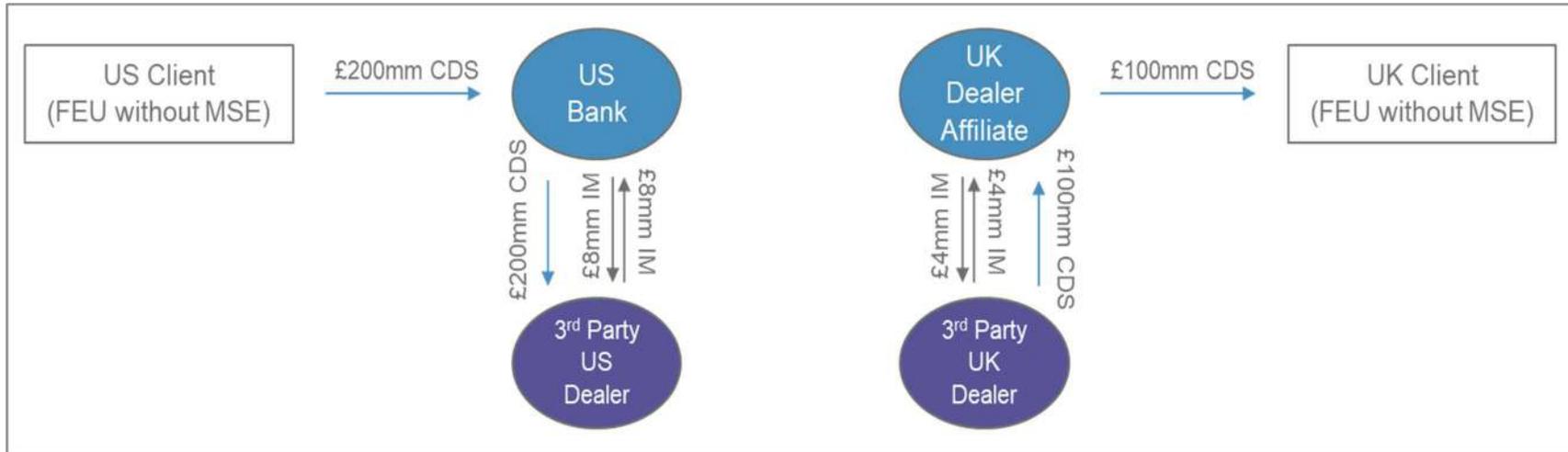
Scenario 1: Prudentially regulated swap entities facilitating U.S. Client sale of £200mm CDS and UK Client purchase of £100mm CDS using inter-affiliate swaps where IM calculated at 4%



- A U.S. Client (an FEU without MSE) sells a £200 million notional CDS on a broad-based UK corporate index to the U.S. Bank swap dealer
 - No IM exchanged. U.S. Bank swap dealer has counterparty credit risk to the U.S. Client and market risk on £200 million notional CDS
- UK Client (also an FEU without MSE) approaches the UK Dealer Affiliate and buys £100 million notional CDS on the same broad-based UK corporate index
 - No IM exchanged. The UK Dealer Affiliate has counterparty credit risk to the UK Client and market risk on £100 million notional CDS
- To manage market risk at both swap dealers within the group, the US Bank swap dealer sells £200 million notional CDS to its UK Dealer Affiliate and the UK Dealer Affiliate sells £100 million notional CDS to a third-party UK Dealer
 - The US Bank swap dealer still has counterparty credit risk to the US Client, but it no longer has market risk on £200 million notional CDS. £8 million of IM is collected by the US Bank from the UK Dealer Affiliate pursuant to the IA IM requirements
 - The UK Dealer Affiliate still has counterparty credit risk to the UK Client, but no longer has market risk on £100 million notional CDS. £8 million of IM is collected by the UK Dealer Affiliate from the US Bank pursuant to the IA IM requirements. The UK Dealer Affiliate exchanges £4 million in IM with the third-party UK Dealer

| Summary Impact for Consolidated U.S. Bank Group | |
|---|---------|
| Market Risk | £0 |
| Reportable Trade Notional | £600 mm |
| Aggregate Client Business Facilitated | £300 mm |
| 3 rd Party Inter-Dealer Gross Notional | £100 mm |
| IM Financing Needs | £20 mm |

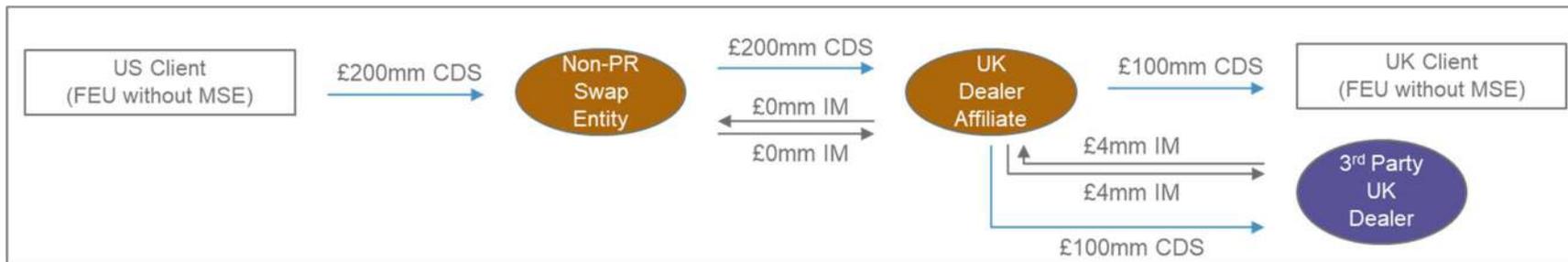
Scenario 2: Prudentially regulated swap entities facilitating U.S. Client sale of £200mm CDS and UK Client purchase of £100mm CDS using third-party dealers where IM calculated at 4%



- Under the same scenario, rather than relying on inter-affiliate swaps to manage their market risk, the U.S. Bank swap dealer sells £200 million notional CDS to a third-party US Dealer and the UK Dealer Affiliate buys £100 million notional CDS from a third-party UK Dealer.
 - The US Bank swap dealer still has counterparty credit risk to the US Client, but no longer has market risk on £200 million notional CDS. £8 million of IM is exchanged by the US Bank swap dealer with the third-party US Dealer, mitigating their respective counterparty credit risk.
 - The UK Dealer Affiliate still has counterparty credit risk to the UK Client, but no longer has market risk on £100 million notional CDS. £4 million of IM is exchanged by the UK Dealer Affiliate with the third-party UK Dealer, mitigating their respective counterparty credit risk.

| Summary Impact for Consolidated U.S. Bank Group | |
|---|---------|
| Market Risk | £0 |
| Reportable Trade Notional | £600 mm |
| Aggregate Client Business Facilitated | £300 mm |
| 3 rd Party Inter-Dealer Gross Notional | £300 mm |
| IM Financing Needs | £12 mm |

Scenario 3: Non-prudentially regulated swap entities facilitating U.S. Client sale of £200mm CDS and UK Client purchase of £100mm CDS using inter-affiliate swaps where IM calculated at 4%



- A U.S. Client (an FEU with MSE) sells a £200 million notional CDS on a broad-based UK corporate index to a US non-prudentially regulated swap entity
 - No IM exchanged. The US swap entity has counterparty credit risk to the US Client and market risk on £200 million notional CDS
- The US non-prudentially regulated swap entity sells a £200 million notional CDS to its UK Dealer Affiliate
 - The US swap entity has counterparty credit risk to the US Client and the UK Dealer Affiliate, but no longer has market risk on £200 million notional CDS.
 - The UK Dealer Affiliate has market risk on £200 million notional of CDS, and the UK Dealer Affiliate has counterparty credit risk to the US swap dealer
- The UK Dealer Affiliate sells £100 million notional CDS to a UK Client and £100 million notional CDS to a third-party UK Dealer
 - The UK Dealer Affiliate has counterparty credit risk to the UK Client and US swap entity, but no longer has market risk on £200 million notional CDS. £4 million of IM is exchanged by the UK Dealer Affiliate with the third-party UK Dealer, mitigating their respective counterparty credit risk.

| Summary Impact for Consolidated U.S. Non-Bank Group | |
|---|---------|
| Market Risk | £0 |
| Reportable Trade Notional | £600 mm |
| Aggregate Client Business Facilitated | £300 mm |
| 3 rd Party Inter-Dealer Gross Notional | £100 mm |
| IM Financing Needs | £4 mm |

Impact Summary

Prudentially regulated US Swap Entities using IA swaps

| | |
|---|---------|
| Market Risk | £0 |
| Reportable Trade Notional | £600 mm |
| Aggregate Client Business Facilitated | £300 mm |
| 3 rd Party Inter-Dealer Notional | £100 mm |
| IM Financing Needs | £20 mm |

Prudentially regulated US Swap Entities using 3rd Party swaps

| | |
|---|---------|
| Market Risk | £0 |
| Reportable Trade Notional | £600 mm |
| Aggregate Client Business Facilitated | £300 mm |
| 3 rd Party Inter-Dealer Notional | £300 mm |
| IM Financing Needs | £12 mm |

Non-Prudentially regulated US Swap Entities using IA swaps

| | |
|---|---------|
| Market Risk | £0 |
| Reportable Trade Notional | £600 mm |
| Aggregate Client Business Facilitated | £300 mm |
| 3 rd Party Inter-Dealer Notional | £100 mm |
| IM Financing Needs | £4 mm |

PR Swap Entities using IA swaps vs PR Swap Entities using 3rd Party swaps

| | |
|---|-----------------|
| Market Risk | Same £0 |
| Reportable Trade Notional | Same £600 mm |
| Aggregate Client Business Facilitated | Same £300 mm |
| 3 rd Party Inter-Dealer Notional | Less by £200 mm |
| IM Financing Needs | More by £8 mm |

IA vs 3rd Party Swaps impact

PR Swap Entities using IA swaps vs non-PR Swap Entities using IA swaps

| | |
|---|----------------|
| Market Risk | Same £0 |
| Reportable Trade Notional | Same £600 mm |
| Aggregate Client Business Facilitated | Same £300 mm |
| 3 rd Party Inter-Dealer Notional | Same £100 |
| IM Financing Needs | More by £16 mm |

PR vs CFTC impact

PR Swap Entities using 3rd Party swaps vs non-PR Swap Entities using IA swaps

| | |
|---|---------------|
| Market Risk | Same £0 |
| Reportable Trade Notional | Same £600 |
| Aggregate Client Business Facilitated | Same £300 |
| 3 rd Party Inter-Dealer Notional | More by £200 |
| IM Financing Needs | More by £8 mm |

As illustrated by the examples depicted above, the increased costs of funding IM for inter-affiliate swaps create an economic incentive for prudentially regulated swap entities to hedge with third parties, which increases both contagion risk/interconnectedness and enterprise-wide risk (without making efficient use of existing enterprise-wide offsets). These costs can also impede the ability of a prudentially regulated swap entity to provide products relied on by corporations and pension plans in one market, because of the need to access hedges in another market through a foreign affiliate. IA IM requirements also put prudentially regulated swap entities at a competitive disadvantage to other swap dealers.

IA IM Requirements Are Not Tailored Towards Protecting U.S. Insured Banks and Can Complicate Resolvability

The examples set out above illustrate how IA IM requirements are not tailored towards protecting U.S. insured banks. Instead of solely requiring a U.S. insured bank to collect IM from affiliates, they also require U.S. insured banks to post IM to affiliated prudentially regulated swap entities (generally, foreign bank affiliates). And they do not permit U.S. insured banks to use the IM they collect to fund their lending or other businesses, nor to meet the needs of other outflows.

The segregation of IM solely to secure potential losses on inter-affiliate swaps can also complicate resolution, especially in the case of a single point of entry (“SPOE”) resolution strategy. SPOE resolution contemplates the failure of the parent holding company coupled with the continued operation of all material subsidiaries, including the insured bank. SPOE resolution does not contemplate the immediate close-out of internal risk management trades between such subsidiaries. IA IM requirements thus needlessly trap high-quality, liquid collateral at operating subsidiaries where they cannot be deployed to cover outflows elsewhere within the group.

Further, even in a multiple-point-of-entry (“MPOE”) resolution strategy where resolution authorities take action at both a U.S. insured bank and its affiliate (rather than solely at their common parent holding company), IA IM requirements do not necessarily facilitate resiliency or resolution. This is because IA IM requirements prevent a significant amount of high-quality, liquid collateral from being used for anything other than to cover the costs of closing out the U.S. insured bank’s swaps with the affiliate. If the bank only needs a portion of the IM it collects from an affiliate to cover those costs—which is likely, since IM requirements are estimated very conservatively—then the bank must return the rest of the IM to that affiliate. Unlike freely available assets held by a parent holding company or the bank itself, a bank cannot use excess IM from an affiliate to meet liquidity needs or to post to any new third-party hedge counterparties. And unlike loss-absorbing capital or long-term debt, inter-affiliate IM cannot cover losses on any positions other than inter-affiliate swaps. Thus IA IM requirements are an inflexible and ineffective way to ensure that assets are available to facilitate an MPOE resolution.

A number of other measures—such as total loss absorbing capacity rules, intermediate holding company requirements for foreign banking organizations, capital and liquidity standards, and recovery and resolution planning guidance—have been adopted in recent years to improve resolvability. Those measures are tailored to address specific risks that are considered to impair resolvability. Margin requirements for non-cleared swaps and non-cleared security-based swaps with third parties transactions similarly generally support resolvability and reduce contagion. However, IA IM requirements both reduce group resiliency and undercut resolvability.

Title VII Is the Wrong Framework for Addressing the Unique Considerations Posed by U.S. Insured Banks

Unlike the long-standing rules designed to address the historical “specialness” of U.S. insured banks—Sections 23A and 23B of the Federal Reserve Act⁹—IA IM requirements were not designed to address the unique considerations posed by those banks and should not be used as a blunt tool to address the special situations of those banks. Instead, IA IM requirements were adopted as part of the broader Dodd-Frank Title VII framework—a framework designed to mitigate systemic risk arising from OTC derivatives transactions between third parties. When applied to inter-affiliate swaps, the framework results in an undue liquidity burden that discourages efficient and centralized market risk management. This is why other regulators have not adopted IA IM requirements. Instead, they rely on VM requirements and centralized risk management requirements.

Many—but not all—of the problems posed by IA IM requirements result from respects in which those requirements depart from Section 23A. Unlike Title VII-derived IA IM requirements, Section 23A would not require a U.S. insured bank to post collateral to affiliates. Nor would it require the bank to collect collateral from its subsidiaries. And it would permit the bank to receive any collateral it deemed required to cover its credit exposure to its affiliates in the form and amount prescribed by Section 23A, including cash in a deposit account at the bank, thus making the funds available for use by the bank. All of these elements would appear designed to protect the insured bank in a manner more tailored to historical considerations under the U.S. prudential regulatory framework.

Nor does Section 23B require a U.S. insured bank to collect IM from its affiliates. Section 23B requires a bank to transact on terms and under circumstances that are “at least as favorable” as those prevailing at the time for comparable transactions with third parties. Title VII’s IM requirements are not based on the types of market-based terms contemplated by Section 23B. Rather, they

⁹ The Dodd-Frank Act explicitly amended Section 23A to apply its framework for quantitative limits and collateral requirements to credit exposure under derivative transactions between a bank and its affiliates. Congressional intent thus is clear that Section 23A, not Title VII, is the right framework to address collateral requirements for these transactions.

address systemic risk issues specifically in relation to the original G20 concerns about interconnectedness among unaffiliated parties and the spread of contagion across unrelated entities. Section 23B should look to the credit terms that U.S. insured banks would apply to third parties, with systemic risk issues addressed separately under Title VII.

Furthermore, Section 23B is a prudential rule premised on taking discretion away from a U.S. insured bank to provide better terms to an affiliate than it may already be providing to non-affiliates. It is not designed to subject inter-affiliate transactions to all the regulations applicable to third-party transactions. Section 23B also is not designed to replace the tailored approach reflected in Section 23A with a blunt approach designed to address systemic risks among third parties not implicated by inter-affiliate transactions. To the extent that the Prudential Regulators wish to remove discretion of U.S. insured banks to set their own IM standards for affiliates, the appropriate mechanism is to apply collateral and quantitative limit requirements under the existing Section 23A framework—a framework narrowly tailored in Section 608 of Dodd-Frank to address inter-affiliate swaps.

Even if Title VII were a relevant reflection of market terms for Section 23B purposes, it is misleading to argue that the one-way collection of IM by a covered swap entity under the Prudential Regulators' rule is required by Section 23B, when the Title VII requirement with third parties is for a covered swap entity to collect and post IM. Therefore, the relevant comparison for the Section 23B “at least as favorable” test would be to compare trading with creditworthy third-party counterparties, in which case it would generally be more favorable to a U.S. insured bank not to collect any IM (or to collect IM as a deposit under Section 23A that it can re-use) than to collect IM that the bank cannot re-use and separately to post IM that cannot be net against the IM collected. It therefore appears that the argument for collection under the Prudential Regulators' rules is not one based on Section 23B, but one based on the safe and sound operation of a collecting covered swap entity—a policy basis that is more appropriately covered by the collateralization and quantitative limits of Section 23A rules.

Appendix B: Background on the Associations

The **ABA** is the voice of the nation's \$17 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$13 trillion in deposits and extend nearly \$10 trillion in loans.

The **Bank Policy Institute** is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

The U.S. Chamber's Center for Capital Markets Competitiveness's (**CCMC**) mission is to advance America's global leadership in capital formation by supporting diverse capital markets that are the most fair, transparent, efficient, and innovative in the world. CCMC advocates on behalf of American businesses to ensure that legislation and regulation strengthen our capital markets allowing businesses—from the local flower shop to a multinational manufacturer—to mitigate risks, manage liquidity, access credit, and raise capital.

The **Financial Services Forum** is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

IIB is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. The IIB's mission is to help resolve the many special legislative, regulatory, tax and compliance issues confronting internationally headquartered institutions that engage in banking, securities and other financial activities in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the U.S. policy of national treatment and appropriately limit the extraterritorial application of U.S. laws to the global operations of its member institutions. Further information is available at www.iib.org.

Since 1985, **ISDA** has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 68 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on Twitter @ISDA.

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.