

September 10, 2021

Submitted via [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**Re: Amendment No. 1, to Amend the Requirements for Covered Agency Transactions under FINRA Rule 4210 (Margin Requirements) as Approved Pursuant to SR-FINRA-2015-036 (Release No. 34-92713; File No. SR-FINRA-2021-010)**

Dear Madam or Sir,

The Securities Industry and Financial Markets Association<sup>1</sup> and its Asset Management Group<sup>2</sup> jointly submit this response to the Commission’s consultation on FINRA’s Amendment No. 1<sup>3</sup> (“Amendment No. 1”) to its proposal<sup>4</sup> (“the Original Proposal”) to amend the rules governing margin requirements for covered agency transactions. Together, SIFMA and SIFMA AMG members include many of the largest buy- and sell-side participants in the mortgage-backed securities markets covered by this rule and share a keen interest in the continued liquidity of these markets, which provide the funding for the majority of mortgage lending in the United States. SIFMA and SIFMA AMG each sent comment letters related to the Original Proposal.<sup>5,6</sup>

We appreciate FINRA’s response to several of our comments along with some of our requests for clarification of various provisions and terms.

We wish to jointly reiterate an important point made in each of our individual responses to the initial consultation – the need for a sufficient period for implementation of the amendments to 4210. In the Original Proposal, FINRA indicated that the effective date of the rule would be no more than 180 days

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG’s members represent U.S. and global asset management firms whose combined assets under management exceed \$45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit <http://www.sifma.org/amg>.

<sup>3</sup> Available here: <https://www.sec.gov/rules/sro/finra/2021/34-92713.pdf>

<sup>4</sup> Available here: <https://www.federalregister.gov/documents/2021/05/25/2021-10959/self-regulatory-organizations-financial-industry-regulatory-authority-inc-notice-of-filing-of-a>

<sup>5</sup> SIFMA broker-dealer letter: <https://www.sifma.org/wp-content/uploads/2021/06/SIFMA-B-D-Comment-Letter-FINRA-4210-Proposal-2021.pdf>

<sup>6</sup> SIFMA AMG letter: [https://www.sifma.org/wp-content/uploads/2021/06/AMG\\_4210\\_June2021.pdf](https://www.sifma.org/wp-content/uploads/2021/06/AMG_4210_June2021.pdf)

after the Commission's approval of the rule.<sup>7</sup> In Amendment No. 1, FINRA indicated that the effective date would be nine to ten months following the Commission's approval.<sup>8</sup> This represents an approximately three months longer period than in the Original Proposal. We appreciate that FINRA has recognized that there is a need for a longer implementation timeline than what was originally proposed. However, despite this change, we continue to believe that more time is needed.

In SIFMA and SIFMA AMG's previous comments, each organization requested an implementation period of eighteen months. We discussed a variety of factors that led to this request, which include documentation requirements, internal margin system and other IT development requirements, and other regulatory implementations that are similar or ever larger in scale that are running on similar time paths. A longer period would help minimize overlap with other implementations, such as the SEC's derivatives rule and Phase VI of the uncleared swaps initial margin rule. These high-priority initiatives are often handled by the same legal and documentation teams that would also implement 4210 documentation. Firms may be cut off from trading with counterparties for whom they do not have appropriate documentation in place, and as we've discussed previously, this may be a particular problem for smaller trading counterparties.<sup>9</sup> We believe it is critical that this outcome be avoided by providing sufficient time for implementation.

Accordingly, we reiterate our previous comments about the need for a longer implementation period. We do not believe nine to ten months will be sufficient time to ensure a smooth implementation of these rules. This shorter period will create the risk that market participants who are unable to achieve appropriate documentation or internal systems adjustments will face a reduction in the number of trading counterparties or will be locked out of these important markets entirely. SIFMA and SIFMA AMG jointly believe that eighteen months would be a sufficient period, but in the alternative believe that market participants should have at least one year following Commission approval.

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We appreciate the Commission's attention to these comments. For more information or to discuss any issues further, please do not hesitate to contact me at 212-313-1126 or [ckillian@sifma.org](mailto:ckillian@sifma.org).

Sincerely,



Chris Killian  
Managing Director  
Securitization, Corporate Credit, Libor

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<sup>7</sup> Original Proposal at 22.

<sup>8</sup> Amendment No. 1 at 3.

<sup>9</sup> See, e.g., SIFMA AMG letter at 2-3, and SIFMA broker-dealer letter at 2.