

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Agencies Seek Comment on Swap Margin and Capital Requirements

Five federal agencies are seeking comment on a proposed rule to establish margin and capital requirements for swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The rule is proposed by the Federal Reserve Board, the Farm Credit Administration, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, and the Office of the Comptroller of the Currency. The proposed rule would require swap entities regulated by the five agencies to collect minimum amounts of initial margin and variation margin from counterparties to non-cleared swaps and non-cleared, security-based swaps.

The amount of margin that would be required under the proposed rule would vary based on the relative risk of the counterparty and of the swap or security-based swap. A swap entity would not be required to collect margin from a commercial end user as long as its margin exposure is below an appropriate credit exposure limit established by the swap entity. A swap entity would also not be required to collect margin from low-risk financial end users as long as its margin exposure does not exceed a specific threshold. The proposed margin requirements would apply to new, non-cleared swaps or security-based swaps entered into after the proposed rule's effective date. The proposal also seeks comment on several alternative approaches to establishing margin requirements.

Provisions in the Dodd-Frank Act also require the agencies to establish capital requirements for regulated swap entities. The proposed rule would implement these provisions by requiring swap entities to comply with the existing capital standards that apply to those entities as part of their prudential regulation, as those capital standards already address non-cleared swaps and non-cleared, security-based swaps.

Staff of the agencies consulted with staff of the Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission in developing the proposed rule.

The agencies request comments on the proposed rule by June 24, 2011.

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Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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Attachment: [Notice of Proposed Rule Making \(297 KB PDF\)](#)