

January 26, 2016

Department of the Treasury/Office of the
Comptroller of the Currency
**Docket No. OCC-2011-0008/RIN 1557-
AD43s**

Farm Credit Administration
RIN 3052-AC69

Board of Governors of the Federal
Reserve System
Docket No. R-1415/RIN 7100 AD74

Federal Housing Finance Agency
RIN 2590-AA45

Federal Deposit Insurance Corporation
RIN 3064-AE21

Addresses listed in Annex I

**Re: Docket No. OCC-2011-0008/RIN 1557-AD43s; Docket No. R-1415 /RIN 7100 AD74;
RIN 3064-AE21; RIN 3052-AC69; RIN 2590-AA45**

**PROVISIONAL APPROVAL OF INITIAL MARGIN MODELS UNDER MARGIN REQUIREMENTS
FOR NON-CLEARED SWAPS**

Ladies and Gentlemen,

The International Swaps and Derivatives Association¹ ("ISDA") appreciates the opportunity to submit this letter to the Prudential Regulators (the "PRs") in connection with the rules on non-cleared swap margin. We would be grateful for a prompt response and we will follow up with you.

Provisional Approval for Initial Margin Models

We request that the PRs provide for provisional approval of initial margin ("IM") models. IM models will need to be in place by September 1, 2016, and the CSEs are in the process of implementing, reviewing and testing models. Because the margin rules were finalized recently

¹ Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 64 countries. These members include a broad range of OTC 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 including exchanges, clearinghouses 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 web site: www.isda.org.

there is relatively little time for CSEs to build out the models and regulators will have little time to approve models. Moreover, the CSEs will need to interact with the regulators in order for the CSEs to incorporate the expectations of the PRs and to make whatever adjustments are required. In addition, as a practical matter, many CSEs will need to build IM models that also satisfy the EU and Japanese regulators to the extent their model requirements are not identical to those of the Commodity Futures Trading Commission (the "CFTC") and of the PRs, and the EU and Japan have yet to issue final rules. This puts further time pressure on the CSE's development of models.

In order to accommodate this time frame, we request that the PRs provide for provisional approval of the models, so that the model can be used before full regulatory approval is obtained. Provisional approval should be given if the following conditions are met:

- an independent internal control function of the CSE has approved the model;
- the model has not been previously rejected or deemed inadequate by the PRs; and
- the CSE must have submitted a request for provisional approval and must have begun the process of obtaining full regulatory approval.

This approach would give the CSEs more time to build out a model while in the process of obtaining full regulatory approval. It would also give the regulators adequate time to review the model and, if necessary, require changes. The regulators would also have the benefit of observing the model while it is being used before making a final approval determination.

There is regulatory precedent for provisional approvals in the swap context: for example, the CFTC gave temporary registrations to swap execution facilities ("SEFs") and provisional approvals to swap dealers. In the preamble to the final rules for SEF requirements, the CFTC stated that it believes that "permitting entities to operate as temporarily registered SEFs, notwithstanding the lack of a substantive review of the SEF's application by the [CFTC], is not a novel concept and has been followed by the [CFTC] in other contexts where it is important to allow entities to quickly reach the market, before an extensive [CFTC] review" (78 FR 33475 at 33488). We request that the PRs apply similar reasoning to provisional IM model approval.

* * *

ISDA

ISDA appreciates the opportunity to provide these proposals. As the PRs progress in their on-going effort to implement the swap margin rules, we welcome the opportunity to assist. Please feel free to contact me at your convenience.

Sincerely,



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Annex I
ADDRESSES

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<p>Robert deV. Frierson, Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20551 cc: Sean D. Campbell</p>	<p>Alfred M. Pollard, General Counsel Federal Housing Finance Agency Constitution Center (OGC Eighth Floor) 400 7th St, SW Washington, DC 20024</p>
<p>Robert E. Feldman, Executive Secretary Federal Deposit Insurance Corporation 550 17th Street, NW Washington, DC 20429 cc: Bobby Bean</p>	