



December 4, 2019

Board of Governors of the Federal Reserve System

Ann E. Misback, Secretary
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Office of the Comptroller of the Currency
Chief Counsel's Office, Attention: Comment Processing
400 7th Street SW, Suite 3E-218
Washington, DC 20219.

Federal Deposit Insurance Corporation
Robert E. Feldman, Secretary, Attention: Comments/Legal ESS
550 17th Street, N.W.
Washington, D.C. 20429

Federal Housing Finance Agency
Alfred M. Pollard, General Counsel, Attention: Comments
Constitution Center (OGC Eighth Floor), 400 7th St. SW
Washington, DC 20219

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

RE: Petition for Extension of Public Comment Period—Margin and Capital Requirements for Covered Swap Entities

To Whom It May Concern:

On October 28, 2019, the Board of Governors of the Federal Reserve System, Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, and Office of the Comptroller of the Currency (collectively the “agencies”) jointly proposed amendments to swap margin rules.¹ The notice of proposed rulemaking was published in the Federal Register on November 7, 2019 for a 30-day comment period, closing December 9, 2019.² This brief comment window provides insufficient time for interested parties, including the undersigned organizations, to fully analyze this complex and critically important rulemaking. Therefore, we respectfully request a 45-day extension of the comment deadline.

¹ <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191028a.htm>.

² <https://www.regulations.gov/document?D=OCC-2019-0023-0001>.

In particular, we are deeply concerned by the provision in the proposed rulemaking that would eliminate the requirement for inter-affiliate initial margin. This requirement is a crucial safeguard that protects taxpayer-insured depository institutions from the risk of an affiliate default on a swap agreement, which could place losses on the depository institution and threaten the Deposit Insurance Fund.³ Some estimates suggest that eliminating this safeguard could release \$40 billion of loss-absorbing resources at the largest depository institutions in the country, decreasing the resilience of the core banking system and leaving taxpayers further exposed to the risks posed by swaps markets.⁴

This is a highly complex rulemaking on its own, but it is particularly difficult to analyze given its potential interactions with an array of other recently proposed or finalized rulemakings. For example, changes to the enhanced supplementary leverage ratio (“eSLR”), removal of central bank deposits from the leverage ratio for custody banks, the expanded opt-out for the Accumulated Other Comprehensive Income capital treatment, changes to the methodology for calculating derivatives exposure under the agencies’ capital rules, several stress testing amendments, and more, are all recent changes to the bank capital regime that could interact with and magnify the changes in this proposed rulemaking.

Analyzing, and providing careful comments on, the inter-affiliate initial margin provision in this broader deregulatory context takes time. The present 30-day comment period is insufficient. On many occasions, the agencies have either initially proposed a longer comment period or provided the public with an extension for proposed rulemakings of similar import.⁵ We respectfully request that the agencies provide an additional 45 days for the public to provide comments on this critical rulemaking.

Thank you for your consideration.

Sincerely,

Gregg Gelzinis /s/
Policy Analyst, Economic Policy
Center for American Progress

Marcus Stanley /s/
Policy Director
Americans For Financial Reform

Bart Naylor /s/
Financial Policy Advocate
Public Citizen

³ In this proposed rulemaking, the Federal Reserve did not propose replacing the inter-affiliate margin requirement established under the swap margin rule with a similar requirement under its Regulation W authority.

⁴ <https://www.bloomberg.com/news/articles/2019-09-16/wall-street-may-get-40-billion-reprieve-from-trump-regulators>; <https://www.americanbanker.com/opinion/the-40-billion-gift-that-wall-street-doesnt-deserve>.

⁵ <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20180904a.htm>;
<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20180518a.htm>.