

CFTC Issues No-Action Letter Regarding Use of Security-Based Swaps in Initial Margin Calculations for Uncleared Swaps

Article By:

Stanley V. Polit

On August 23, the **Commodity Futures Trading Commission's** Division of Swap Dealer and Intermediary Oversight and Division of Clearing and Risk (the Divisions) issued a response to the International Swaps and Derivatives Association (ISDA), which had requested the CFTC to clarify whether a covered swap entity (CSE) is permitted to include security-based swaps within the same product set as swaps for the purpose of calculating initial margin for uncleared swaps.

Based on ISDA's position that including security-based swaps in such margin calculations is both appropriate for risk management purposes and consistent with the rules of the Prudential Regulators (PRs), the Divisions granted no-action relief to CSEs that collect and post margin on a portfolio basis for swaps and security-based swaps. Such relief is subject to certain conditions, including, but not limited to: (1) swaps and security-based swaps must be subject to the same eligible master netting agreement and netting portfolio thereunder; (2) the applicable swaps and security-based swaps must be in the same broad risk category; and (3) all security-based swaps in a netting set must be continuously and consistently included in margin calculations. Such relief is limited to enforcement actions under the Commodity Exchange Act and will not affect the applicability or requirements under the rules of the PRs, the Securities and Exchange Commission and the Financial Industry Regulatory Authority.

©2025 Katten Muchin Rosenman LLP

National Law Review, Volume VI, Number 239

Source URL: <https://natlawreview.com/article/cftc-issues-no-action-letter-regarding-use-security-based-swaps-initial-margin>