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December 7, 2018

The Honorable Jay Clayton  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: The Commission Should Consider and Adopt the Long-Pending Proposed Amendment to Rule 15c3-3, "Qualified Securities," at the Same Time the Commission Considers and Adopts Proposed Rules 18a-3 and 18a-4 regarding "Eligible Collateral" and "Qualified Securities."**

Dear Mr. Chairman:

We write to bring to your attention a long-pending proposed rule amendment which should be considered and adopted at the same time the Commission considers and adopts proposed Rules 18a-3 and 18a-4.

In 2007, the Commission proposed to adopt a rule amendment to expand the definition of "qualified securities" under Rule 15c3-3(a)(6) to include U.S. Government Money Market Funds.<sup>1</sup> Although the Commission (1) has stated that it would be appropriate to utilize U.S. Government Money Market Funds as "qualified securities;" (2) has confirmed that the regulatory landscape for U.S. Government Money Market Funds is sound;<sup>2</sup> and (3) has received public comment (in 2007 and again, when re-opened for comment, in July 2012) overwhelmingly endorsing the Commission's proposal, the Commission has failed to calendar and act on the proposed amendment.<sup>3</sup>

On October 11, 2018, the Commission re-opened for public comment proposed rules regarding the establishment of capital, margin and segregation requirements for non-bank security-

<sup>1</sup> See Amendments to Financial Responsibility Rules for Broker-Dealers, Proposed Rule, ("Financial Stability Proposed Rule") 72 Fed. Reg. 12861, 12865 (Mar. 19, 2007). The term "U.S. Government Money Market Fund" used herein is defined in the Financial Stability Proposed Rule. Consistent with current industry practices, these funds invest in government securities and should also be permitted to invest in repurchase and other agreements that are collateralized fully by government securities.

<sup>2</sup> See Money Market Fund Reform, Final Rules, ("Money Market Reform") 79 Fed. Reg. 47736 (Aug. 14, 2014).

<sup>3</sup> See Financial Responsibility Rules for Broker-Dealers, Final Rule, 78 Fed. Reg. 51824, 51843-44 (Aug. 21, 2013).

based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”).<sup>4</sup> Proposed Rule 18a-3 will require SBSDs and MSBSPs to post, deliver and/or collect sufficient “eligible collateral” in connection with the exposure the parties may have in security-based swap transactions; and proposed Rule 18a-4 will require SBSDs to segregate customer funds and deposit “qualified securities” into a Special Reserve Account for the Exclusive Benefit of Security Based Swap Customers.

Both the Commission’s 2007 Rule 15c3-3(a)(6) “qualified securities” proposed rule amendment, and the Commission’s 2012 proposed Rules 18a-3 and 18a-4 regarding “eligible collateral” and “qualified securities” require the Commission to determine the permitted use of U.S. Government Money Market Funds. Without question, the Commission should permit such use:

- The Prudential Regulators and Commodity Futures Trade Commission (“CFTC”) adopted final rules in November 2015 and January 2016, respectively, to include U.S. government money market funds as “eligible collateral” for bank and non-bank swap dealers and participants.<sup>5</sup> The Commission’s October 2012 Proposal proposes to follow the Prudential Regulators and CFTC’s definition regarding “eligible collateral” for non-bank security-based swap dealers and participants.<sup>6</sup>
- The CFTC has for many years permitted the use of U.S. Government Money Market Funds under the CFTC’s customer segregation rules for Futures Commission Merchants (“FCMs”), the equivalent of the SEC’s “qualified securities.”<sup>7</sup> As noted above, the Commission has stated that it is appropriate to include U.S. Government Money Market Funds as a “qualified security”

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<sup>4</sup> See Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers, File Number S7-08-12, Proposed Rule, 83 Fed. Reg. 53007 (Oct. 19, 2018); Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers, File Number S7-08-12, Proposed Rule (“October 2012 Proposal”), 77 Fed. Reg. 70213 (Oct. 18, 2012).

<sup>5</sup> See FRB, OCC, FDIC, FCA, FHFA, Margin and Capital Requirements for Covered Swap Entities, 80 Fed. Reg. 74840 (Nov. 30, 2015) (adopting capital and margin requirements for bank swap dealers, bank SBSDs, bank swap participants, and bank MSBSPs); CFTC, Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 Fed. Reg. 636 (Jan. 6, 2016) (adopting margin requirements for nonbank swap dealers and nonbank major swap participants). See also 12 CFR 45.6 “Eligible Collateral” (Prudential Regulators) and 17 CFR 23.156 “Forms of Margin” (CFTC).

<sup>6</sup> See October 2012 Proposal, 77 Fed. Reg. at 70264.

<sup>7</sup> See “Permitted Investments,” 17 CFR 1.25, which is analogous to proposed Rule 18a-4 (for SBSDs) and Rule 15c3-3 (for BDs).

for broker-dealers.<sup>8</sup> The Commission should also include U.S. Government Money Market Funds in its proposed Rule 18a-4 definition of “qualified security” for SBSBs.<sup>9</sup>

We realize the Commission has a full calendar. This makes consolidation of these related amendments even more compelling, their objectives and purposes being very similar. Therefore, when the Commission places the more recent rule proposals (*i.e.*, the 2012 proposals on Rules 18a-3 and 18a-4) on the Commission calendar for determination, we respectfully request that the Commission also place the long-pending proposed Rule 15c3-3 amendment to “qualified securities” (*i.e.*, the 2007 proposal to amend Rule 15c3-3) on the Commission calendar for determination as well.

On behalf of Federated Investors, Inc., we appreciate your thoughtful consideration of our request. If you have any questions, please call Lee A. Pickard or Peter E. McLeod at [REDACTED].

Respectfully Submitted,



Lee A. Pickard

Enc.

cc: The Honorable Kara M. Stein  
The Honorable Robert J. Jackson, Jr.  
The Honorable Hester M. Pierce  
The Honorable Elad L. Roisman  
Mr. Brett Redfearn, Director, Division of Trading and Markets

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<sup>8</sup> See Financial Stability Proposed Rule, 72 Fed. Reg. at 12865. The SEC further stated, “The assets held by such a money market fund would be the same as those a broker-dealer can hold directly in its customer reserve account. Consequently, a broker-dealer might choose to deposit qualifying money market fund shares into the customer reserve account based on operational considerations such as avoiding the need to actively manage a portfolio of U.S. Treasury securities. This operational benefit also could decrease burdens on ... broker-dealers.... A broker-dealer that deposits cash into the customer reserve account to avoid the operational aspects of holding and managing U.S. Treasury securities would have the option of depositing a qualifying money market fund to replace the cash deposit.”

<sup>9</sup> For a comprehensive overview of the substantive reasons why the Commission should permit the use of U.S. Government Money Market Funds as “eligible collateral” and as a “qualified security,” see the Petition for Rulemaking, 4-679, “Request for Rulemaking Petition to Expand the Definition of “Qualified Securities” under Rule 15c3-3(a)(6),” dated October 20, 2014, at <https://www.sec.gov/rules/petitions/2014/petn4-679.pdf>, a copy of which is attached hereto as **Exhibit A**, and the Public Comment Letter to Mr. Fields, dated November 15, 2018, at <https://www.sec.gov/comments/s7-08-12/s70812-4650643-176494.pdf>, a copy of which is attached hereto as **Exhibit B**.

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October 20, 2014

Mr. Brent Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-6628

**Re: Petition for Rulemaking**

Dear Mr. Fields:

On behalf of Federated Investors, Inc. ("Federated"),<sup>1</sup> we hereby petition the Securities and Exchange Commission ("Commission"), pursuant to Commission Rule of Practice 192(a), to, without delay, **adopt** the Commission's proposed expansion of the definition of "qualified securities" under Rule 15c3-3(a)(6) to include an unaffiliated money market fund that: (1) is described in Rule 2a-7 of the Investment Company Act of 1940; (2) invests solely in securities issued by the United States or guaranteed by the United States as to interest and principal; (3) agrees to redeem fund shares in cash no later than the business day following a redemption request by a shareholder; and (4) has net assets equal to at least 10 times the value of the shares deposited by the broker-dealer in its customer reserve account ("U.S. Government Money Market Fund"), all as the Commission proposed in March 2007.<sup>2</sup>

Rule 15c3-3 requires a broker-dealer to calculate what amount, if any, it must deposit on behalf of customers in the Special Reserve Account for the Exclusive Benefit of Customers, according to the formula set forth in Rule 15c3-3a ("Reserve Formula"). Generally, under the Reserve Formula, a broker-dealer must calculate any amounts it owes to its customers and the amount of funds generated through the use of customer securities, called credits, and compare this amount to any amounts its customers owe, called debits. If customer credits exceed customer debits, the broker-dealer must deposit the net amount of customer credits in the Special Reserve Account. Currently, under Rule 15c3-3(e) only cash or "qualified securities" may be deposited into a Special

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<sup>1</sup> Federated is a mutual fund sponsor with total assets under management of approximately \$351.6 billion, of which \$245.2 billion constitute money market funds.

<sup>2</sup> See Amendments to Financial Responsibility Rules for Broker-Dealers, Proposed Rule, ("Financial Stability Proposed Rule") 72 Fed. Reg. 12861, 12865 (Mar. 19, 2007).

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Reserve Account. Rule 15c3-3(a)(6) defines a “qualified security” as a “security issued by the United States or a security in respect of which the principal and interest are guaranteed by the United States.”

The Commission has stated that it would be appropriate to utilize U.S. Government Money Market Funds as “qualified securities” under Rule 15c3-3(a).<sup>3</sup> Further, the Commission recently has confirmed that the regulatory landscape for U.S. government money market funds is sound.<sup>4</sup> Without further delay, we request that the Commission adopt its proposed expansion of “qualified security” to include U.S. Government Money Market Funds.

**A. The use of U.S Government Money Market Funds is consistent with Rule 15c3-3’s purpose of protecting customers’ funds and provides broker-dealers a needed alternative to current “qualified securities.”**

Since April 2003, Federated has advocated for the inclusion of certain money market funds under Rule 15c3-3(a)(6) in response to broker-dealers’ concerns that there are limited options for them to place their required Rule 15c3-3 segregated funds.<sup>5</sup>

In support of permitting U.S. Government Money Market Funds as “qualified securities,” Federated’s petitions have provided detailed discussions demonstrating:

- **Broad governmental approval of the use of U.S. government money market funds:**
  - Numerous financial regulators, self-regulatory organizations, state legislatures and courts approve of the use of U.S. government money market funds for use by institutional investors as the functional equivalent of direct investments in government securities.
  - The CFTC permits FCMs to use U.S. government money market funds to meet CFTC segregation requirements analogous to Rule 15c3-3.
  - An SEC Order permits certain types of collateral for purposes of Rule 15c3-3 which are equivalent to the quality and liquidity of shares of U.S.

<sup>3</sup> See “Financial Stability Proposed Rule,” 72 Fed. Reg. 12861, 12865 (Mar. 19, 2007).

<sup>4</sup> See Money Market Fund Reform, Final Rules, (“Money Market Reform”) 79 Fed. Reg. 47736 (Aug. 14, 2014).

<sup>5</sup> See Public Petitions for Rulemaking No. 4-478 (Apr. 3, 2003) (available at <http://www.sec.gov/rules/petitions/petn4-478.htm>), as amended (Apr. 4, 2005) (available at <http://www.sec.gov/rules/petitions/petn4-478a.htm>). See also Public Petition for Rulemaking No. 4-577 (Feb. 3, 2009) (available at <http://www.sec.gov/rules/petitions/petn4-577.htm>).

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Government Money Market Funds. (In fact, U.S. Government Money Market Fund shares may exceed the quality and liquidity of certain of the types of collateral permissible under Commission Order).<sup>6</sup>

- **The operational flexibility and efficiency to broker-dealers in using U.S. government money market funds:**
  - The use of U.S. government money market fund shares, which may be traded in precise increments (whereas transactions in government securities take place only in large denominations and may cause a broker-dealer to incur a loss when selling a government security), will enable broker-dealers to manage their cash requirements more effectively than the use of Treasury securities.<sup>7</sup>
  - By using U.S. government money market funds, the broker-dealer avoids the operational risk of purchasing and selling Treasury securities and reduces the confusion, complexity and opportunity for error that can result. Broker-dealers will be able to reduce the human and other costs associated with assembling a Treasury portfolio.
  - Smaller institutions do not have the same degree of access to the OTC markets (where Treasury securities are traded), as do primary dealers and other large market participants, and must use primary dealers to purchase and sell Treasury securities. Permitting broker-dealers to utilize shares of U.S. government money market funds in lieu of direct holdings of government securities will enable broker-dealers to access the liquidity of the Treasury securities market in a more cost-effective manner than any currently available alternative.
- **The consistent stability of U.S. government money market funds:**
  - Money market funds that invest in Treasury securities have amassed an impressive record of safety. Because U.S. government money market funds invest almost exclusively in Treasury notes and Treasury bills – instruments backed by the full faith and credit of the United States government – advisers to such funds do not need to purchase portfolio securities in order to preserve the fund's \$1.00 share price.

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<sup>6</sup> See Order Regarding the Collateral Broker-Dealers Must Pledge When Borrowing Customer Securities, Release No. 47683 (Apr. 16, 2003)

<sup>7</sup> Corporations prefer to outsource cash management to mutual funds rather than holding liquid securities directly as they are able to obtain daily liquidity at par, flexibility and economies of scale that are unavailable through internal management of their liquid assets.

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- The deposit of U.S. government money market fund shares into Special Reserve Accounts does not present any increased risk that, if a broker-dealer holding customer property fails, the broker-dealer will not have sufficient reserves to ensure that customers promptly receive their property.
- U.S. government money market funds do not present any increased market or credit risk than a broker-dealer maintaining direct holdings of Government securities.
- **Limiting U.S. Government Money Market Funds to those that satisfy the relevant Rule 2a-7 requirements and only invest in “qualified securities.”**
  - The proposed U.S. Government Money Market Funds would only include funds that satisfy the relevant requirements of Rule 2a-7 of the Investment Company Act of 1940 regarding portfolio maturity, quality, diversification and liquidity.
  - The proposed U.S. Government Money Market Fund, as described in this petition, will invest in “qualified securities,” a narrower subset of “government securities,”<sup>8</sup> limited to a “security issued by the United States or a security in respect of which the principal and interest are guaranteed by the United States.”<sup>9</sup>

Further, due to recently adopted bank regulations, it may become more costly for broker-dealers to comply with Rule 15c3-3 using bank deposits. This is so as cash deposits in Special Reserve Accounts will incur a liquidity charge under the new bank regulations, requiring banks to maintain liquid assets against the deposits based on a liquidity coverage ratio.<sup>10</sup> As such, it is expected that banks might seek to limit a broker-dealer’s cash deposits or increase the cost to the broker-dealer of maintaining a Special Reserve Account with deposits. In contrast, a Special Reserve Account that invests in U.S. Government Money Market Fund shares will not incur a liquidity charge for the

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<sup>8</sup> U.S. government money market funds may invest in “government securities” defined as any “security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.” See Section 2(a)(16) and Rule 2a-7(a)(14).

<sup>9</sup> When the Commission adopts the proposed expansion of “qualified security” to include U.S. Government Money Market Funds, the Commission should clarify that U.S. Government Money Market Funds may also invest in repurchase agreements collateralized fully by U.S. Treasury securities. Clarification in this manner would be consistent with the current treatment of repurchase agreements.

<sup>10</sup> See “Federal Banking Regulators Finalize Liquidity Coverage Ratio,” Federal Reserve Board Press Release, September 3, 2014.

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bank since the bank will not own the shares and, unlike deposits, will not be able to use the shares in its lending or other banking operations.

**B. The Commission deems it appropriate to expand the definition of “qualified securities” to include U.S. Government Money Market Funds.**

In 2007, the Commission acknowledged the appropriateness of Federated’s request, proposed to adopt rules to expand the definition of “qualified securities” to include U.S. Government Money Market Funds, and sought public comment on the proposed expansion. The Commission proclaimed,

**We believe expanding the definition to include money market funds that only invest in securities meeting the definition of “qualified securities” in Rule 15c3-3 would be appropriate.** The assets held by such a money market fund would be same as those a broker-dealer can hold directly in its customer reserve account. Consequently, a broker-dealer might choose to deposit qualifying money market fund shares into the customer reserve account based on operational considerations such as avoiding the need to actively manage a portfolio of U.S. Treasury securities. This operational benefit also could decrease burdens on ... broker-dealers.... A broker-dealer that deposits cash into the customer reserve account to avoid the operational aspects of holding and managing U.S. Treasury securities would have the option of depositing a qualifying money market fund to replace the cash deposit.<sup>11</sup>

In response to the Commission’s proposal (and the reopening of the comment period in July 2012), twenty commenters addressed the Commission’s proposed expansion of “qualified securities” to include U.S. Government Money Market Funds. All – 100% of the commenters – supported or endorsed the expansion of “qualified securities” to permit broker-dealers the operational flexibility of U.S. Government Money Market Fund shares in meeting their deposit obligations under the Special Reserve Bank Account for the Exclusive Benefit of Customers, with the vast majority asserting that the definition of “qualified security” be expanded further to include more types of instruments.

Importantly, with regard to the operational efficiencies of U.S. Government Money Market Funds, commenters echoed those stated in Federated’s petitions and the Commission’s 2007 rule proposal release, noting, among other things, that:

- Adopting the proposal to include U.S. Government Money Market Funds would ease the administrative burden of depositing US Treasury securities in a broker-dealer reserve account and would lower the overall cost of compliance with the

<sup>11</sup> “Financial Stability Proposed Rule,” 72 Fed. Reg. 12861, 12865 (Mar. 19, 2007).



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Customer Protection Rule without creating any additional exposure of loss to customers.<sup>12</sup>

- Operational efficiencies would include: No need to manage or monitor a portfolio of securities; no need to mark to market; no need to monitor and ensure delivery of multiple securities; no need to monitor principal and interest payments; no maturity date for fund shares; no transactions costs; less time limitations on making fund purchases, and clear documentation of fund account transaction activity.<sup>13</sup>

Notwithstanding, the overwhelming support from industry participants, the Commission in August 2013 determined to defer adoption of expanding the definition of “qualified security” to include U.S. Government Money Market Funds, asserting that proposed amendments on money market funds were currently pending before the Commission, and such amendments could impact U.S. government money market funds.<sup>14</sup>

**C. The Commission has confirmed the stability and soundness of U.S. government money market funds and will not make any significant changes to U.S. government money market fund regulation.**

In August 2014, the Commission adopted final rule amendments regarding money market funds.<sup>15</sup>

- 1. The Commission’s August 2014 Money Market Fund Reform release confirms that U.S. government money market funds are stable and sound.**
  - **The Commission confirms that U.S. government money market funds are stable during financial crises.**

The Commission’s Money Market Fund Reform release analyzes the 2008 and 2013 financial crises and concludes that U.S. government money market funds are resilient and function well during financial crises.

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<sup>12</sup> See Curian Clearing, Comment Letter, May 7, 2007.

<sup>13</sup> See FAF Advisors, Comment Letter, May 23, 2007.

<sup>14</sup> See Financial Responsibility Rules for Broker-Dealers, Final Rule, 78 Fed. Reg. 51824, 51843-44 (Aug. 21, 2013). The SEC Office of the Secretary also issued a letter to Federated on August 27, 2013, advising that “in light of recently proposed amendments to its rules regarding money market funds the Commission is deferring consideration any further expansion of the definition of ‘qualified security’ in Rule 15c3-3...”

<sup>15</sup> See Money Market Reform, 79 Fed. Reg. 47736 (Aug. 14, 2014).

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For example, the Commission's Money Market Fund release provides that during the financial crisis in September 2008, investor redemptions, particularly after Lehman's failure, were heaviest in institutional share classes of prime money market funds, while institutional share classes of U.S. government money market funds, which include Treasury and government funds, experienced heavy inflows.<sup>16</sup> Further, during the worst two-week period of the October 2013 crisis, i.e., the U.S. debt ceiling impasse, government and treasury money market funds experienced combined outflows of \$54.4 billion, which was 6.1% of total assets of such money market funds. Importantly, despite the financial crisis, U.S. government money market fund shadow prices were unaffected. Once the impasse was resolved, assets flowed back into these funds, returning government and treasury money market funds to a pre-crisis asset level before the end of the year, indicating their resiliency.<sup>17</sup>

- **The Commission confirms that U.S. government money market funds have virtually no default risk and are highly liquid even during market stress.**

The Commission's Money Market Fund Reform release acknowledges that U.S. government money market funds historically have faced different redemption pressures in times of stress and have different risk characteristics than other money market funds because of their unique portfolio composition. U.S. government money market funds have lower credit default risk and greater liquidity than non-government portfolio securities typically held by money market funds.<sup>18</sup>

- **The Commission confirms that U.S. government money market funds hold assets with short maturities wholly mitigating interest rate risk of U.S. government money market funds.**

The Commission's Money Market Fund Reform release identifies only one potential risk regarding U.S. government money market funds, i.e., interest rate risk or, in other words, the risk that changes in the interest rates will result in a change in the market value of portfolio securities. However, the Commission acknowledges that such risk is wholly mitigated because U.S. government money market funds hold assets that have short maturities and generally hold those assets to maturity. In fact, the Commission notes that because of the required structure of their portfolios, U.S. government money market funds generally have at least 30% weekly liquid assets.<sup>19</sup>

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<sup>16</sup> See Money Market Reform, 79 Fed. Reg. at 47744.

<sup>17</sup> See Money Market Reform, 79 Fed. Reg. at 47746. Indeed, the Commission states that U.S. government money market fund assets tend to appreciate in value in times of stress rather than depreciate.

<sup>18</sup> See Money Market Reform, 79 Fed. Reg. at 47744 n. 77 and 47792.

<sup>19</sup> See Money Market Reform, 79 Fed. Reg. at 47792.

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**2. The Commission's Money Market Fund Reform does not make any significant changes to U.S. government money market funds.**

Because U.S. government money market funds are sound and stable, they are not subject to the significant reforms issued by the Commission in its Money Market Fund Reform. Based on the documented soundness and stability of U.S. government money market funds, U.S. government money market funds are permitted to continue to value portfolio securities using amortized cost and use the penny-rounding method of pricing. No floating NAV changes for U.S. government money market funds have been required. In addition, the Commission's required liquidity fees and redemption gates will not apply to U.S. government money market funds.<sup>20</sup>

Indeed, the Commission's Money Market Fund Reform makes only one change to U.S. government money market fund regulation in its money market reforms -- decreasing the non-governmental basket permitted for U.S. government money market funds from 20% to 0.5% (to limit risk taking with non-governmental securities). The Commission asserts that this change will NOT be a significant change to U.S. government money market funds for, among other things,:

- **U.S. Government money market funds already have the systems in place to monitor for compliance with the 0.5% non-government basket of assets.**

The Commission's Money Market Fund Reform release states that, "[The Commission] does not believe that government funds will be required to make any systems modifications as a result of changing to a 0.5% de minimis basket because funds are already required to monitor compliance with the existing 20% non-government basket requirement."<sup>21</sup>

- **Industry practice already conforms to maintaining only a 0.5% non-government basket of assets in U.S. government money market funds.**

The Commission's Money Market Fund Reform release states, "Based on the staff's analysis, we expect that the 0.5% non-conforming basket is consistent with current industry practices and strikes an appropriate balance between providing U.S. government money market fund managers with adequate flexibility to manage such funds while preventing them from taking on potentially high levels of risk associated with non-government assets."<sup>22</sup>

<sup>20</sup> See Money Market Reform, 79 Fed. Reg. at 47791.

<sup>21</sup> See Money Market Reform, 79 Fed. Reg. at 47794.

<sup>22</sup> See Money Market Reform, 79 Fed. Reg. at 47794.

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- **U.S. government money market funds will not experience any material reduction in yield by maintaining a 0.5% non-government basket of assets.**

The Commission's Money Market Fund Reform release states, "Because we believe that the de minimis basket we are adopting is consistent with current industry practice, we do not believe that government funds will experience any material reduction in yield, based on current interest rates, as a result of our amendments."<sup>23</sup>

- **Current shareholders will remain invested in U.S. government money market funds.**

The Commission's Money Market Fund Reform release states that the Commission anticipates that "current investors in government funds will likely remain invested in these funds, as they will offer the price stability, liquidity, and yield to which these investors are accustomed."<sup>24</sup> Moreover, the Commission states that "[b]ecause the regulatory landscape for these funds will remain largely unchanged, we anticipate current investors will likely remain invested in the funds."<sup>25</sup>

#### **D. Now is the time for the Commission to adopt the proposed rule.**

Now is the time, without further delay, for the Commission to adopt its rule proposal to expand the definition of "qualified security" under Rule 15c3-3 to include U.S. Government Money Market Funds.

As the August 21, 2013, letter from the Commission to Federated noted, the Commission determined to defer consideration of the amendment to expand the definition of "qualified securities" in Rule 15c3-3(a)(6) in light of pending proposed amendments to money market fund regulation which could have an impact on U.S. government money market funds. The Commission has now assessed the potential impact, having concluded that U.S. government money market funds are stable and sound, both historically and prospectively. That being the case, the Commission is in a position to render an important service to the broker-dealer industry and investors by promptly adopting this long-sought, but limited and simple, expansion of the definition of "qualified securities" in Rule 15c3-3 to include U.S. Government Money Market Funds.

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<sup>23</sup> See Money Market Reform, 79 Fed. Reg. at 47794.

<sup>24</sup> See Money Market Reform, 79 Fed. Reg. at 47906.

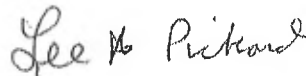
<sup>25</sup> See Money Market Reform, 79 Fed. Reg. at 47900. In fact, in light of the extensive reforms placed on other money market funds, the Commission "expects some non-government money market fund shareholders will likely reallocate their investments to government money market funds." See Money Market Reform, 79 Fed. Reg. at 47906.

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We thank you for your consideration of this request for rule making.

Please do not hesitate to contact Lee A. Pickard or Peter E. McLeod of Pickard and Djinis, LLP at (202) 223-4418 with any questions or requests for further information with respect to the matters set forth in this letter. We look forward to your response.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lee A. Pickard".

Lee A. Pickard

cc: The Honorable Mary Jo White  
The Honorable Luis A. Aguilar  
The Honorable Daniel M. Gallagher  
The Honorable Kara M. Stein  
The Honorable Michael S. Piwowar  
Mr. Stephen Luparello, Director, Division of Trading and Markets  
Mr. James Burns, Deputy Director, Division of Trading and Markets  
Mr. Michael Macchiaroli, Associate Director, Division of Trading and Markets

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November 15, 2018

Mr. Brent Fields  
Director, Office of the Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers, File Number S7-08-12.

Dear Mr. Fields:

We submit these comments on behalf of Federated Investors, Inc.<sup>1</sup> ("Federated") regarding the Securities and Exchange Commission's ("SEC") request for additional comment<sup>2</sup> on establishing capital, margin and segregation requirements for the newly-regulated non-bank security based swap dealers ("SBSDs") and non-bank major security based swap participants ("MSBSPs").<sup>3</sup>

We support the SEC's efforts to provide comprehensive oversight of security-based swap industry participants. Importantly, the proposed rules (proposed Rule 18a-3) will require SBSBs and MSBSPs to post, deliver and/or collect sufficient "eligible collateral" in connection with the exposure the parties may have in security-based swap transactions. The proposed rules (proposed Rule 18a-4) will also require SBSBs to segregate customer funds and deposit "qualified securities" on behalf of customers into a Special Reserve Account for the Exclusive Benefit of Customers.

<sup>1</sup> Federated is a Pittsburgh-based financial services holding company and a major sponsor of money market funds regulated under SEC Rule 2a-7 of the Investment Company Act of 1940. Federated money market funds have aggregate assets in excess of \$268 billion. Federated's money market funds are designed for use by regulated entities where a statute, rule or instrument limits an investment to cash equivalents or high-quality, liquid short-term investments.

<sup>2</sup> See Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers, File Number S7-08-12, Proposed Rule, 83 Fed. Reg. 53007 (Oct. 19, 2018).

<sup>3</sup> See Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers, File Number S7-08-12, Proposed Rule ("October 2012 Proposal"), 77 Fed. Reg. 70213 (Oct. 18, 2012).

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As detailed below, we strongly recommend that the SEC (1) adopt final rules which permit SBSDs and MSBSPs to utilize U.S. Government Money Market Funds<sup>4</sup> as “eligible collateral” for purposes of proposed Rule 18a-3, and (2) adopt final rules which permit all types of SBSDs to utilize U.S. Government Money Market Funds as a “qualified security” for purposes of proposed Rule 18a-4. In both instances, the use of U.S. Government Money Market Funds will provide a much needed additional option; provide regulated entities with operational flexibility in meeting their respective obligations under the new rules; avoid the burden of actively management a portfolio of U.S. Treasuries; and allow regulated entities to obtain a more competitive yield on such assets while, at the same time, not compromising the Congressional purpose of ensuring consistency and stability in the security-based swap markets.

**The SEC should adopt a definition of “Eligible Collateral” under proposed Rule 18a-3 to include “U.S. Government Money Market Funds.”**

Under proposed Rule 18a-3, the SEC proposes to require SBSDs and MSBSPs to collect (and deliver) collateral to cover both current exposure and potential future exposure to the counterparty of a security-based swap transaction. The proposed rule does not identify specific types of instruments that may be utilized for purposes of “eligible collateral.”<sup>5</sup> However, the October 2012 Proposal presents two alternatives: (1) adopt a definition of eligible collateral similar to those identified, and adopted by, Prudential Regulators<sup>6</sup> and the U.S. Commodity Futures Trading Commission (“CFTC”); or (2) adopt a definition of eligible collateral to only include cash and U.S. Treasuries.

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<sup>4</sup> The SEC has previously proposed to define a “U.S. Government Money Market Fund” as an unaffiliated money market fund that: (1) is described in Rule 2a-7 of the Investment Company Act of 1940; (2) invests solely in securities issued by the United States or guaranteed by the United States as to interest and principal; (3) agrees to redeem fund shares in cash no later than the business day following a redemption request by a shareholder; and (4) has net assets equal to at least 10 times the value of the shares deposited by the broker-dealer in its customer reserve account. See Amendments to Financial Responsibility Rules for Broker-Dealers, Proposed Rule, (“Financial Stability Proposed Rule”) 72 Fed. Reg. 12861, 12865 (Mar. 19, 2007). U.S. government money market funds are generally made up of cash, U.S. Treasury securities and repurchase agreements collateralized fully by U.S. Treasury securities. As such, U.S. Government Money Market Funds should also hold repurchase transactions of qualified securities, consistent with current practice.

<sup>5</sup> The reason for not proposing a definition to “eligible collateral”, according to the October 2012 Proposal, is that counterparties are expected to engage in a wide range of trading strategies and permitting various types of securities to count as collateral may be more practical for margin arrangements involving security-based swaps. See October 2012 Proposal, 77 Fed. Reg. at 70264. If the SEC determines to not define “eligible collateral” for purposes of Rule 18a-3, we understand that U.S. Government Money Market Funds, as well as any mutual funds, would be permitted.

<sup>6</sup> Prudential Regulators include the Board of Governors of the Federal Reserve System (“FB”), the Office of the Comptroller of the Currency (“OCC”), the Federal Deposit Insurance Corporation (“FDIC”), the Farm Credit Administration (“FCA”), and the Federal Housing Finance Agency (“FHFA”). See Section 1(a)(3) of the Commodity Exchange Act (7 U.S.C. 1(a)(39)), and Section 3(a)(74) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(74)).

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- **Adopting rules similar to Prudential Regulators and CFTC's final rules will allow SBSBs and MSBSPs to utilize U.S. Government Money Market Funds.**

The Prudential Regulators and CFTC adopted final rules in November 2015 and January 2016, respectively, to define “eligible collateral,” in relevant part, to include U.S. government money market funds, if the fund’s investment are limited to, among other things, securities that are issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of the Treasury and immediately-available cash funds denominated in U.S. dollars.<sup>7</sup>

Uniformity and consistency of regulations across a specific industry is important to not only provide proper regulatory oversight, but also to the entities being regulated. Compliance is always burdensome, and having to comply with variant regulation is even more difficult and more costly.<sup>8</sup> Regulated entities engaged in swaps, who may also engage in security-based swaps, have for the past 3 years developed systems and compliance programs under the Prudential Regulators and the CFTC’s “eligible collateral” rules. To bring uniformity of regulation to the swap and security-based swap markets, we recommend the SEC adopt similar final rules to permit the use of U.S. government money market funds as “eligible collateral.”<sup>9</sup>

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<sup>7</sup> See FRB, OCC, FDIC, FCA, FHFA, Margin and Capital Requirements for Covered Swap Entities, 80 Fed. Reg. 74840 (Nov. 30, 2015) (adopting capital and margin requirements for bank swap dealers, bank SBSBs, bank swap participants, and bank MSBSPs); CFTC, Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 Fed. Reg. 636 (Jan. 6, 2016) (adopting margin requirements for nonbank swap dealers and nonbank major swap participants). See also 12 CFR 45.6 “Eligible Collateral” (Prudential Regulators) and 17 CFR 23.156 “Forms of Margin” (CFTC).

<sup>8</sup> As stated by Commissioner Elad L. Roisman, “Other regulators have established comprehensive regulations to govern swaps. The prudential regulators have implemented capital and margin requirements for bank swap dealers, bank security-based swap dealers, bank swap participants, and bank major security-based swap participants. The CFTC has established margin requirements for nonbank swap dealers and nonbank major swap participants, as well as proposed and re-proposed capital requirements for these entities. And, of course, market participants have spent millions of dollars and thousands of hours developing systems and processes to comply with these rules.” <https://www.sec.gov/news/public-statement/statement-roisman-101118> (Statement on Re-Opening the Comment Period).

<sup>9</sup> The Prudential Regulators and CFTC’s final rules place a restriction on the investment activities of such U.S. government money market funds. Specifically, assets of such funds may not be transferred through securities lending, securities borrowing, repurchase agreements, reverse repurchase agreements, or other means that involve the fund having rights to acquire the same or similar assets from the transferee. If the SEC determines to adopt similar “eligible collateral” rules as that of the Prudential Regulators and the CFTC, we do not recommend including such limitation. Rather, as U.S. government money market funds are generally made up of cash, U.S. Treasury securities and repurchase agreements collateralized fully by such, U.S. Government Money Market Funds under proposed Rule 18a-3 should be permitted to utilize repurchase transactions and other similar type transactions of qualified securities, consistent with current practice.



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- **Cash and U.S. Treasuries, as an alternative proposed by the SEC, may not be adequate for addressing the collateral needs of SBSDs and MSBSPs.**

Cash is held on the balance sheet of the bank where the cash deposit exceeds the FDIC level of insurability. Banks are not required to hold the cash separately from the bank's other assets. Therefore, funds become subject to the same risks as any other bank deposit. This is particularly true in the instance of large cash deposits being made that are held at a limited number of major banks. A substantial portion of the cash deposits may only be backed by the balance sheets of these banks rather than FDIC insured. Further banks are either, rejecting, or charging a fee for, large cash deposits. The July 2018 ISDA and SIFMA report on "Initial Margin for Non-Centrally Cleared Derivatives: Issues for 2019 and 2020," referenced this growing problem:

Custodians in the US are reluctant to accept cash for IM (Initial Margin) because they are subject to leverage capital standards that impose restrictions on their ability to accept cash and other low-risk assets that qualify as IM. Since custodial services are generally low-return, fee-based business lines, bank custodians are often unwilling to provide unlimited balance sheet space to accept IM.<sup>10</sup>

U.S. Treasuries, by themselves, are also problematic. In the past few years, there has been a continued scarcity of available U.S. Treasuries for financial firms to meet their collateral requirements.<sup>11</sup> A leading firm in the areas of treasury management and liquidity, Treasury Strategies, Inc., released a study, "Collateral Scarcity: An Approach to Preventing Market Stress From Becoming Contagion" (the "Study") which examines the actual and potential causes of collateral scarcity and concludes that systemic risks associated with heightened global demand for high-quality collateral can be reduced by permitting financial firms in need of high-quality collateral to access U.S. Government Money Market Funds, a security which is functionally equivalent to U.S. Treasuries.

<sup>10</sup> ISDA and SIFMA, Initial Margin for Non-Centrally Cleared Derivatives: Issues for 2019 and 2020, p. 27, July 2018.

<sup>11</sup> See, e.g., "Pressure in Repo Market Spreads," WSJ, Apr. 2, 2015 (discussing the shortage of high-quality bonds and factors contributing towards "the dearth of sought-after securities"); "Banks Retreat From Market That Keeps Cash Flowing," WSJ, Aug. 13, 2014 (same); "Treasury Plans More Short-Term Debt," WSJ, May 6, 2015 ("[The U.S.] Treasury's plans to issue more bills comes as there is a growing scarcity of high-quality, short-term debt instruments"); "Concern About Trading of U.S. Treasuries Prompts Review by Regulators," WSJ, July 12, 2015 (Wall Street firms argue that capital and leverage rules making it more expensive for banks to facilitate bond trades contributed to the Oct. 15 flash crash); "Negative T-Bill Rates Persist as Supply Shortage Seen Worsening," Bloomberg, June 22, 2015 (discussing the mismatch between supply and demand of U.S. Treasury bills); "The \$900 Billion Influx That's Wreaking Havoc in U.S. Bills," Bloomberg, May 10, 2015 (same); "Once-in-3-Billion-Year' Jump in Bonds Was a Warning Shot, Dimon Says," Bloomberg, Apr. 8, 2015 (JPMorgan Chase & Co. head Jamie Dimon believes last year's volatility in U.S. Treasuries was a "warning sign" and that a future crisis could be worsened because there "is a greatly reduced supply of Treasuries to go around.").

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In the October 2012 Proposal, the SEC endorsed the use of U.S. government securities asserting that they were instruments that SBSBs and MSBSBs would be able to liquidate promptly and at current market prices if necessary to cover the obligations of a defaulting counterparty, as U.S. government securities are substantially less susceptible to market stress or rapid market declines than other types of securities and, in fact, may become the investment of choice during a period of market stress as investors seek the relative safety of these securities.<sup>12</sup>

The same is true of U.S. Government Money Market Funds. U.S. Government Money Market Funds are also substantially less susceptible to market stress risk than other types of securities and, in fact, may become the investment of choice during a period of market stress. In August 2014, the SEC concluded its study of money markets and confirmed the stability and soundness of U.S. Government Money Market Funds.<sup>13</sup> The SEC analyzed the 2008 and 2013 financial crises and concluded that U.S. government money market funds are resilient and function well during financial crises, have virtually no default risk and are highly liquid even during market stress, noting that during times of market stress, e.g., September 2008 financial crisis, U.S. Government Money Market Funds experienced heavy inflows.

**The SEC should adopt a definition of “Qualified Security” under proposed Rule 18a-4 to include “U.S. Government Money Market Funds.”**

Under proposed Rule 18a-4, the SEC proposes to require all types of SBSBs to segregate security-based swap customer funds and deposit “qualified securities” on behalf of such customers into a Special Reserve Account for the Exclusive Benefit of Customers that reflects the net cash owed to such customers. The segregation and reserve account requirements are modeled after the broker-dealer financial responsibility rules, Rule 15c3-3 under the Securities Exchange Act.

The SEC proposes to define “qualified securities” for purposes of proposed Rule 18a-4 as (1) obligations of the United States; (2) obligations fully guaranteed as to principal and interest by the United States; and (3) general obligations of any State or subdivision of a State that are not traded flat or are not in default, were part of an initial offering of \$500 million or greater, and were issued by an issuer that has published audited financial statements within 120 days of its most recent fiscal year-end.<sup>14</sup>

Although we applaud Congress, and the SEC, for recognizing the need to expand the available instruments under “qualified security” for purposes of SBSBs to include

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<sup>12</sup> See October 2012 Proposal, 77 Fed. Reg. at 70273.

<sup>13</sup> See Money Market Fund Reform, Final Rules, (“Money Market Reform”) 79 Fed. Reg. 47736 (Aug. 14, 2014).

<sup>14</sup> See October 2012 Proposal, 77 Fed. Reg. at 70283 (“Rule 15c3-3 currently contains a similar definition of “qualified security,” except the definition does not include municipal securities.”)

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municipal securities, other additional forms of collateral are necessary.<sup>15</sup> Needlessly limiting instruments to be utilized by SBSDs under financial responsibility requirements will create pressure on regulated entities in search of those limit instruments to buy and sell on a continuous basis in their Reserve Accounts.

We recommend the SEC adopt a definition of “qualified securities” for purposes of proposed Rule 18a-4 to include U.S. Government Money Market Funds.<sup>16</sup> As discussed above, the SEC has conducted extensive study of such funds and has concluded that they are resilient and function well during financial crises<sup>17</sup> and also provide less-burdensome, operational flexibility.<sup>18</sup> Indeed, in 2007 (and re-opened for comment in 2012), the SEC proposed to adopt rules to expand the definition of “qualified securities” under Rule 15c3-3, proclaiming, “We [the SEC] believe expanding the definition to include money market funds that only invest in securities meeting the definition of “qualified securities” in Rule 15c3-3 would be appropriate.”<sup>19</sup>

The SEC’s counterpart, the CFTC, has for many years permitted the use of U.S. Government Money Market Funds under the CFTC’s customer segregation rules for Futures Commission Merchants (“FCMs”).<sup>20</sup> The CFTC has also analyzed U.S. Government Money Market Funds, in its final rule release, Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Foreign Options Transactions, 76 Fed. Reg. 78776 (Dec. 19, 2011) and concluded that U.S. government money market mutual funds are an important and appropriate investment vehicle for customer segregated funds. The important factors relied upon by the CFTC in its review of the role of U.S. government money market mutual funds in the customer fund

<sup>15</sup> Pursuant to 15 U.S.C. Sec. 78c-5(d), the Congress included municipal securities as a permitted investment, as well as authorized the SEC to include “any other investment that the Commission may by rule or regulation prescribe.”

<sup>16</sup> As referenced in Footnotes 4 and 9, U.S. government money market funds are generally made up of cash, U.S. Treasury securities and repurchase agreements collateralized fully by U.S. Treasury securities. U.S. Government Money Market Funds under proposed Rule 18a-4 should be permitted to utilize repurchase transactions of qualified securities, consistent with current practice.

<sup>17</sup> See Money Market Reform, 79 Fed. Reg. 47736 (Aug. 14, 2014).

<sup>18</sup> See Financial Stability Proposed Rule, 72 Fed. Reg. at 12865.

<sup>19</sup> Financial Stability Proposed Rule, 72 Fed. Reg. at 12865. The SEC further stated, “The assets held by such a money market fund would be same as those a broker-dealer can hold directly in its customer reserve account. Consequently, a broker-dealer might choose to deposit qualifying money market fund shares into the customer reserve account based on operational considerations such as avoiding the need to actively manage a portfolio of U.S. Treasury securities. This operational benefit also could decrease burdens on ... broker-dealers.... A broker-dealer that deposits cash into the customer reserve account to avoid the operational aspects of holding and managing U.S. Treasury securities would have the option of depositing a qualifying money market fund to replace the cash deposit.”

<sup>20</sup> See “Permitted Investments,” 17 CFR 1.25, which is analogous to proposed Rule 18a-4 (for SBSDs) and Rule 15c3-3 (for BDs).

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segregation process included the safety provided by enhanced SEC Rule 2a-7, the operational and administrative efficiency of U.S. government money market funds, as well as their market equivalency to U.S. Treasury portfolios.<sup>21</sup> In fact, the CFTC found that the indirect investment in Treasuries via a Treasury-only money market mutual fund “is essentially the risk equivalent of a direct investment” in Treasuries.<sup>22</sup>

Furthermore, the financial industry as well as state and federal governmental authorities universally accept U.S. Government Money Market Funds as the functional equivalent to cash and have promulgated guidance, rules and regulations to explicitly treat U.S. Government Money Market Funds the same as U.S. Treasuries and cash.<sup>23</sup>

**The SEC should adopt the currently pending financial responsibility rule amendment to include U.S. Government Money Market Funds as a “qualified security” for purposes of Rule 15c3-3’s reserve requirements.**

As various sections of Rule 15c3-3 will be amended in connection with the inclusion of the SBSD regulatory framework, the SEC should also adopt the currently pending rule proposal to amend Rule 15c3-3 to include U.S. Government Money Market Funds as a “qualified security” for purposes of Rule 15c3-3’s reserve requirements.

The Commission issued this proposed amendment for inclusion of U.S. Government Money Market Funds as “qualified securities” for public comment twice (in March 2007 and again in July 2012), and received comments of unanimous support from the industry which were summarized and presented to the Commission in an August 2013 open meeting. In the interim time period, broker-dealers have also, through calls to the SEC Division of Trading and Markets, individually expressed their need for the use of U.S. Government Money Market Funds. Moreover, in numerous conversations on the proposed amendment, the SEC Division of Trading and Markets has not raised any substantive concerns with regard to the purpose, structure or language of this pending Rule 15c3-3 amendment.<sup>24</sup>

<sup>21</sup> See Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Foreign Options Transactions (“Investment of Customer Funds”), 76 Fed. Reg. 78776 (Dec. 19, 2011).

<sup>22</sup> See Investment of Customer Funds, 76 Fed. Reg. at 78796.

<sup>23</sup> See, e.g., Willkie Farr & Gallagher, 2000 SEC No-Act. LEXIS 916 (Oct. 23, 2000) (stating that “money market fund shares generally are equivalent to cash items”); Federal Reserve System - Title 12: Banks and Banking, Part 220, Credit by Brokers and Dealers (Regulation T), 12 C.F.R. § 220.2 (“Cash equivalent means securities issued or guaranteed by the United States or its agencies, ..., or money market mutual funds.”); FASB Accounting Standards Codification, Cash Equivalents, 305-10-20 (“Cash equivalents are short-term, highly liquid investments that have both of the following characteristics: (a) readily convertible to known amounts of cash; (b) So near their maturity that they present insignificant risk of changes in value because of changes in interest rates. .... Examples of items commonly considered to be cash equivalents are Treasury bills, commercial paper, money market funds,...”).

<sup>24</sup> In fact, the SEC, by order, currently permits the NCSS to invest undeployed customer funds held in a segregated account into money market mutual funds. The NCSS segregated account is the functional equivalent of a Rule 15c3-3 Reserve Account. See Self-Regulatory Organizations; The Depository Trust

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Nevertheless, the Commission “deferred” the adoption of the proposed amendment until after the then-pending amendments to money market funds were adopted by the Commission.<sup>25</sup> In August 2014, the Commission concluded its review of money market funds with the adoption of money market fund reform amendments. In the adopting release, the Commission provided careful analysis of U.S. government money market funds and confirmed their stability and strength.<sup>26</sup> The pending public proposal to amend Rule 15c3-3 to include U.S. Government Money Market Funds should be adopted as part of the Rule 15c3-3 amendments being finalized with regard to SBSDs.

### Conclusion

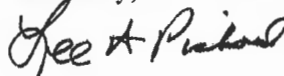
For the reasons noted above, we respectfully submit that the SEC should

- (1) adopt a definition of “Eligible Collateral” under proposed Rule 18a-3 which includes “U.S. Government Money Market Funds”;
- (2) adopt a definition of “Qualified Security” under proposed Rule 18a-4 which includes “U.S. Government Money Market Funds”; and
- (3) adopt the currently pending proposed amended definition of “Qualified Security” under Rule 15c3-3 to include “U.S. Government Money Market Funds.”

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If you have any questions, please call Lee A. Pickard or Peter E. McLeod at [REDACTED]. On behalf of Federated Investors, Inc., we appreciate your consideration of our comments.

Sincerely,



Lee A. Pickard

cc: Mr. Eugene F. Maloney, Executive Vice President, Federated Investors, Inc.

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Company; Fixed Income Clearing Corporation; National Securities Clearing Corporation; Notice of Filing of Amendments No. 1 and Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments No. 1, Relating to Clearing Agency Investment Policy, Release No. 34-79528; File Nos. SR-DTC-2016-007; SR-FICC-2016-005; SR-NSCC-2016-003, December 12, 2016.

<sup>25</sup> See Financial Responsibility Rules for Broker-Dealers, Final Rule, 78 Fed. Reg. 51824, 51843-44 (Aug. 21, 2013).

<sup>26</sup> See Money Market Fund Reform, Final Rules, 79 Fed. Reg. 47736 (Aug. 14, 2014).