

MEMORANDUM

To: File No. S7-08-12

From: Richard Gabbert, Counsel to Commissioner Hester M. Peirce

Re: Telephone Call with Representatives of the Securities Industry and Financial Markets Association

On April 16, 2019, Commissioner Hester Peirce and her legal advisor, Richard Gabbert, participated in a telephone call with Kyle Brandon of the Securities Industry and Financial Markets Association and Colin Lloyd of Cleary Gottlieb.

Participants discussed various aspects of Title VII reforms of the security-based swap market, including the Commission's proposed capital and margin rules and differences between those rules and the rules adopted or proposed by the CFTC. Participants identified as key differences needing resolution issues including the capital treatment of (1) initial margin held away by a security-based swap dealer at a third-party custodian, (2) initial margin posted away by a security-based swap dealer to a counterparty, (3) limits on a security-based swap dealer's ability to take a credit risk charge for exposures to commercial end users. Participants also emphasized the importance of joint action by the CFTC and the SEC to enable portfolio margining of swaps and security-based swaps, and the importance of minimizing differences in the margin requirements to avoid the need to redocument relationships.