



February 9, 2016

By e-mail (rule-comments@sec.gov)

Mr. Robert Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-FINRA-2015-036: Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Market

Dear Mr. Errett:

Matrix Applications, a service bureau for financial institutions, appreciates the opportunity to submit its views regarding FINRA's proposed amendments to FINRA Rule 4210 instituting more rigorous counterparty risk mitigation requirements applicable to broker-dealers participating in the TBA market. Such requirements would materially change how firms participate in the forward-settling mortgage-backed securities markets.

Matrix provides a service, MarginCalculator.com, which calculates and tracks two-way variation margin to manage counterparty credit risk between trade and settlement for MBS transactions. The views expressed below are based on client feedback.

We believe we have a unique perspective on the Rule and its challenges, and offer these comments:

1. **Maintenance Margin**

Under the existing proposal, FINRA would require a member firm to collect maintenance margin equal to 2% of the market value of the securities subject to the transaction. We believe that FINRA should consider rules that would be simpler to implement and would not unduly burden medium-sized counterparties by eliminating the requirement to collect maintenance margin. Should maintenance margin be required by FINRA, a tiered approach should be considered on maintenance margin for trades that are under a defined gross dollar amount. We also believe further clarification regarding the treatment of maintenance margin should be provided, specifically as it pertains to Delivery vs Payment (DVP) accounts.

2. **Capital Charges**

The proposal should be revised to be consistent with Rule 4210 by permitting firms to take capital charges instead of collecting margin from counterparties.

3. **Exempt Account**

Finra should use this rule making to update the definition of exempt account. This would help clarify the universe of forms that would not be subject to the 2% initial margin requirement when the proposal becomes effective.

4. **Mandatory Liquidation**

Finra should not require a firm to close out counterparty's positions if margin is not received in five days. This is too tight of a trigger and does not give the parties sufficient time to resolve operational issues that may have caused the problem.

As a service bureau representing several clients who will be affected by the rule, we are working with our customers to address their concerns and its impact on operations, specifically the ability to identify, track, and mitigate counterparty exposure on forward-settling trades. In this regard, firms are concerned that their estimation of increased operational costs may preclude them from continuing trading in forward-settling transactions. And as service bureau to firms trading in TBA's, we were also concerned with these costs. As a result we, amongst several others, have developed efficient, low cost tools to address the upcoming margin requirements, and have made those tools commercially available.

Due to the concern over increase operational costs, we suggest that FINRA makes it clear to its members that, subject to compliance with FINRA are outsourcing guidance, firms required to collect margin under the proposal rule may utilize third party service providers and products. The knowledge that the use of such services and products is acceptable may eliminate concerns regarding the in-house operational challenges they may face in complying with the rule.

Sincerely,

Matrix Applications