



Via Email

June 30, 2011

Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: RIN 3038–AC97, Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants

Dear Mr. Stawick:

I am writing on behalf of the Council of Institutional Investors (Council), a nonpartisan and nonprofit association of public, union and corporate pension funds with combined assets exceeding \$3 trillion.¹ Council members are large, long-term investors responsible for protecting the retirement savings of millions of American workers. The purpose of this letter is to respond to your request for feedback on the Commodity Futures Trading Commission's proposed rules on margin requirements for uncleared swaps.

The Council believes that swaps and security-based swaps involving a non-financial entity should not be exempt from margin requirements, as requiring margin reduces risk to taxpayers and to the financial system. This position is consistent with the recommendations of the Investors' Working Group (IWG),² a blue ribbon panel of industry and market experts. According to the IWG's 2009 report, "All OTC trades should be subject to federally imposed margin requirements."

The Council's stance is also supported by the legislative history of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). In its report on the "Restoring American Financial Stability Act of 2010" bill used as the base text for the Dodd-Frank Act, the Senate Committee on Banking, Housing, and Urban Affairs identified mandating margin requirements for uncleared swaps as a key measure to help create a safer derivatives market and "reduc[e] costs and risks to taxpayers, end


¹ For more information about the Council and its members, please visit our Web site at <http://www.cii.org>.

² The IWG was an independent, nonpartisan commission sponsored by the CFA Institute and the Council to provide an investor perspective on ways to improve, in an efficient and cost-effective manner, the regulation of the U.S. financial markets. The IWG's full report and recommendations are available at <http://www.cii.org/iwginfo>.

users, and the system as a whole.”³ Enhancing the safety of the derivatives market is enormously important. In the words of Federal Reserve Board Chairman Ben Bernanke, “Making derivatives safer is a very important part of solving too-big-to-fail.”⁴

If you have any questions or need any additional information, please feel free to contact me at (202) 261-7088 or justin@cii.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justin Levis".

Justin Levis
Senior Research Associate

³ Report of the Senate Committee on Banking, Housing, and Urban Affairs on S. 3217, the “Restoring American Financial Stability Act of 2010,” p. 27.

<http://banking.senate.gov/public/files/S3217CommitteeReportPosted.pdf>

⁴ Testimony of Ben Bernanke, Federal Reserve Board Chairman, to the Senate Banking Committee, 12/3/09.