



January 24, 2017

Via Email

Board of Governors of the Federal Reserve System
Commodity Futures Trading Commission
European Banking Authority
European Commission
European Insurance and Occupational Pensions Authority
European Securities and Markets Authority
Farm Credit Administration
Federal Deposit Insurance Corporation
Federal Housing Finance Agency
Japan Financial Services Agency
Office of the Comptroller of the Currency
UK Financial Conduct Authority

**Re: Uncleared Swap Margin Requirements – Request for Relief from March 1, 2017
Variation Margin Implementation**

Dear Sirs and Madams:

The Committee on Investment of Employee Benefit Assets ("CIEBA") and The ERISA Industry Committee (ERIC) write to join the Securities Industry and Financial Markets Association Asset Management Group's ("SIFMA AMG") request¹ for relief from variation margin requirements for uncleared swaps applicable as of March 1, 2017 (the "Uncleared Swap Margin Rules") to banks/swap dealers for counterparties with an average aggregate notional amount of non-centrally cleared derivatives below US\$/EU€ 3 trillion. We are particularly concerned about the March 1, 2017 deadline under the Uncleared Swap Margin Rules for banks/swap dealers to amend their swap documentation with their counterparties.

Overview of the Organizations

CIEBA members are the Chief Investment Officers of more than 100 of the Fortune 500 companies who individually manage and administer Employee Retirement Income Security Act (ERISA) - governed corporate retirement plan assets. CIEBA members voluntarily sponsor plans and manage almost \$2 trillion of retirement assets on behalf of 15 million participants,

¹ See SIFMA AMG Letter dated December 16, 2016, *available at*: <http://www.sifma.org/issues/item.aspx?id=8589963951>.

representing a very significant portion of the largest private defined benefit and defined contribution retirement plans in the US.

As the largest organization of corporate pension investment officers, CIEBA represents the interests of employee benefit plan sponsors before legislators, Congress, regulators, and the media. Since 1985, CIEBA has provided a nationally recognized forum and voice for corporate pension plan sponsors on investment and fiduciary issues.

ERIC is the only national association that advocates exclusively for large employers on health, retirement, and compensation public policies at the federal, state, and local levels. ERIC's members provide comprehensive retirement benefits to tens of millions of active and retired workers and their families. ERIC has a strong interest in regulations, such as the Uncleared Swap Margin Rules, that could affect its members' ability to provide secure retirement benefits in a cost-effective and efficient manner.

Comments

Pension plans, large and small, will be impacted by the rush to implement variation margin requirements without sufficient time for banks/swap dealers and their swap counterparties to complete the required documentation and without consideration of the impact upon investors. We urge regulators across key jurisdictions to allow a transition period for completion of this important work.

Pension plans use asset managers to professionally manage some or all of their invested assets. The disruption of asset managers' access to uncleared swap markets may impact the ability of pension plan investments to be hedged and managed. The disruption may also impact best execution, resulting in sub-optimal pricing. We are concerned that these disruptions could ultimately have a detrimental impact upon pension plan beneficiaries.

In light of these consequences, we believe that regulators should provide a six-month transition period for implementation. Such a period could help prevent the risks of investor harm without compromising regulatory goals. We are encouraged by the recent remarks of CFTC Acting Chairman Giancarlo² regarding the need to consider the impact of the March 1st deadline upon pension and retirement funds. We hope that the potential impact of such deadline, as described herein, is considered in assessing the need to adjust the timing of Uncleared Swap Margin Rules implementation.

Accordingly, CIEBA and ERIC join SIFMA AMG's request that all jurisdictions provide a six-month transitional period beginning on March 1, 2017 to permit the rolling application of the Uncleared Swap Margin Rules so as to allow market participants to make reasonable and

² Keynote Address of CFTC Commissioner J. Christopher Giancarlo Before SEFCON VII, *available at*: <http://www.cftc.gov/PressRoom/SpeechesTestimony/opagiancarlo-19>.

continuous progress towards the completion of the required swap documentation and the exchange of variation margin.

Sincerely,

A handwritten signature in cursive script that reads "Ray Kanner".

Ray Kanner
Acting Executive Director, CIEBA

A handwritten signature in cursive script that reads "Will Hansen".

Will Hansen
Senior VP, Retirement Policy, ERIC