



February 23, 2021

**SUBMITTED VIA E-MAIL**

The Honorable Allison Herren Lee  
Acting Chair  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**Re: File No. SR-FICC-2020-017; Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Modify the Calculation of the MBSD VaR Floor to Incorporate a Minimum Margin Amount**

Dear Acting Chair Lee:

The Independent Dealer and Trader Association (“IDTA”)<sup>1</sup> submits this letter in response to your request for views, data, and arguments in the above-captioned order (“Order Instituting Proceedings”) on the Fixed Income Clearing Corporation’s (“FICC”) filing with the Securities and Exchange Commission (“SEC” or “Commission”) of the proposed rule change SR-FICC-2020-017 (the “Proposed Rule Change”) to amend the FICC Mortgage-Backed Securities Division (“MBSD”) Rulebook (the “MBSD Rules”) in order to modify the calculation of the Value-at-Risk (“VaR”) floor through the introduction of a new “Minimum Margin Amount” charge against each clearing member.<sup>2</sup> The IDTA separately submitted a joint letter with the Mortgage Bankers Association, but wishes to provide additional comments on the Proposed Rule Change that are uniquely important to IDTA members – i.e., the importance of understanding concentration risk.

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<sup>1</sup> The IDTA was formed to create a forum for independent dealers and traders to discuss and consider the impact of market operational issues on their industry sector and to advocate for constructive solutions that promote the liquidity and efficiency of capital markets. The objective of the IDTA is to form an interactive line of communication with regulators and other relevant policy makers, with particular emphasis on the Securities and Exchange Commission, the Treasury Department, and the Federal Reserve Bank of New York. The IDTA is composed of seven organizations registered as broker-dealers or futures commission merchants (or affiliates of such organizations) that are not affiliated with a bank holding company. For additional information, visit IDTA’s web site: [www.idtassoc.com/](http://www.idtassoc.com/).

<sup>2</sup> Securities Exchange Act Release No. 34-91092 (Feb. 9, 2021), 86 Fed. Reg. 9560 (Feb. 16, 2021) (“Order Instituting Proceedings”), available at <https://www.govinfo.gov/content/pkg/FR-2021-02-16/pdf/2021-02996.pdf>. See also Securities Exchange Act Release No. 34-90568 (Dec. 4, 2020), 85 Fed. Reg. 79541 (Dec. 10, 2020) (“Proposed Rule Change”), available at <https://www.govinfo.gov/content/pkg/FR-2020-12-10/pdf/2020-27087.pdf>. Capitalized terms not otherwise defined herein are defined in the Proposed Rule Change.

In the Order Instituting Proceedings, the Commission noted that FICC states in its impact study that the “top 10 members based on the size of their VaR Charges would have contributed 69.3% of the aggregate VaR Charges had the Minimum Margin Amount been in place.”<sup>3</sup> Those 10 members, however, only would be responsible for 54% of the additional margin that would be collected under the proposal. What FICC appears to disregard is that fact that the size and diversity of these ten largest systemically important financial services companies have several subsidiaries in potentially different sections of the mortgage market, so their consolidated position gives the impression that their risk to the overall mortgage market is less because they internally “net” their exposure. From the standpoint of concentration risk, is that position truly less? As we learned during the credit crisis of 2007-2009, in times of great stress, the interrelationship between and among markets and asset classes can increase, as opposed to reduce, the risk of large, diverse institutions.

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The IDTA thanks the SEC for considering our comments. Should you have any questions, please contact the undersigned.

Sincerely,



James Tabacchi  
Chairman  
Independent Dealer and Trader Association

CC: Michael Bodson, President and CEO, DTCC  
Timothy Cuddihy, Managing Director, DTC

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<sup>3</sup> See Order Instituting Proceedings, supra note 2, at 9561.