



## T-H ALERT

16 February 2018

# Effective Date of Amended FINRA Rule 4210 is Approaching

### *Next Steps for Buy-Side Clients*

*Overview.* An amendment to FINRA Rule 4210, expanding the Rule's margin requirements, will become effective on June 25, 2018. As a result, broker-dealers will now have to collect variation and initial margin with respect to certain transactions, including "To Be Announced" ("TBA") transactions, with certain counterparties. Therefore, documentation of such trades will need to be amended to achieve regulatory compliance.

*Transaction Scope.* With limited exceptions, the new margin requirements apply to "Covered Agency Transactions", which include (i) TBA transactions of mortgage-backed securities and Specified Pool Transactions with a settlement date that is more than one business day after the trade date and (ii) transactions in Collateralized Mortgage Obligations with a settlement date that is more than three business days after the trade date.

*Entity Scope.* Counterparties will be subject to the new margin requirements unless they qualify for a specified exception. For instance, the posting of initial margin is not required for counterparties which are "Exempt Accounts", which includes, among other categories, (i) any person with a net worth of at least \$45 million and financial assets of at least \$40 million who makes available to the broker-dealer information that can be used to perform a risk analysis; (ii) ERISA plans; and (iii) registered investment companies.

*What's next?* Buy-side clients should be prepared for requests from their broker-dealer counterparts to amend their MSFTAs, or other documentation, in order to comply with the new margin requirements. Buy-side clients should determine whether they qualify for any exceptions and whether margin arrangements and/or other documentation will need to be negotiated in advance of the June 25 deadline.

**If you have any questions regarding applicable margin regulations or the ISDA 2016 Variation Margin Protocol, please reach out to your primary T-H contact or one of the following:**

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