

## Covered Agency Transactions

### FINRA Makes Available Frequently Asked Questions and Guidance and Extends Effective Date of Margin Requirements for Covered Agency Transactions

New Effective Date: June 25, 2018

#### Summary

In June 2016 the SEC approved<sup>1</sup> FINRA's rule change (referred to as the "rule change") amending FINRA Rule 4210 to establish margin requirements for Covered Agency Transactions.<sup>2</sup> To assist members in complying with the rule change, FINRA has made available a set of [frequently asked questions and guidance](#). In addition, FINRA is extending, to June 25, 2018, the effective date of the requirements pursuant to the rule change that otherwise would have become effective on December 15, 2017.<sup>3</sup>

Questions regarding this *Notice* should be directed to:

- ▶ Kris Dailey, Vice President, Risk Oversight & Operational Regulation (ROOR), at (646) 315-8434 or [Kris.Dailey@finra.org](mailto:Kris.Dailey@finra.org);
- ▶ Yui Chan, Managing Director, ROOR, at (646) 315-8426 or [Yui.Chan@finra.org](mailto:Yui.Chan@finra.org);
- ▶ Adam Rodriguez, Director, Credit Regulation, ROOR, at (646) 315-8572 or [Adam.Rodriguez@finra.org](mailto:Adam.Rodriguez@finra.org);
- ▶ Peter Tennyson, Director, ROOR, at (646) 315-8403 or [Peter.Tennyson@finra.org](mailto:Peter.Tennyson@finra.org);
- ▶ Adam Arkel, Associate General Counsel, Office of General Counsel, at (202) 728-6961 or [Adam.Arkell@finra.org](mailto:Adam.Arkell@finra.org).

Questions may also be directed to [covered.agency.margin@finra.org](mailto:covered.agency.margin@finra.org). FINRA will publish additional guidance as appropriate to address questions that FINRA receives.

#### September 2017

##### Notice Type

- ▶ Guidance

##### Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Margin Department
- ▶ Operations
- ▶ Regulatory Reporting
- ▶ Risk Management
- ▶ Senior Management

##### Key Topics

- ▶ Covered Agency Transactions
- ▶ Margin
- ▶ TBA Market

##### Referenced Rules & Notices

- ▶ FINRA Rule 4210
- ▶ SEA Rule 15c3-1
- ▶ SEA Rule 15c3-3

## Background & Discussion

FINRA issued [Regulatory Notice 16-31](#) in August 2016 to announce the SEC's approval of the rule change and the effective dates of the new requirements. FINRA announced that the risk limit determination requirements as set forth in paragraphs (e)(2)(F), (e)(2)(G) and (e)(2)(H) of Rule 4210, and Supplementary Material .05 of Rule 4210, each as respectively amended or established by the rule change (collectively referred to as the "risk limit determination requirements") would become effective on December 15, 2016. As announced in *Notice 16-31*, all other requirements pursuant to the rule change—broadly, the substantive margin requirements for Covered Agency Transactions—were to become effective on December 15, 2017.

In response to questions received from industry participants, FINRA has made available a set of [Responses To Frequently Asked Questions & Guidance Regarding Covered Agency Transactions Under FINRA Rule 4210](#) to facilitate members' efforts to comply with the new requirements.<sup>4</sup> Further, FINRA has made available a set of [Frequently Asked Questions Regarding SEA Rule 15c3-1 and Rule 15c3-3 in Connection With Covered Agency Transactions Under FINRA Rule 4210](#) provided by the staff of the SEC's Division of Trading and Markets.

In addition, FINRA is extending, until June 25, 2018, the effective date of the requirements that otherwise would have become effective on December 15, 2017.<sup>5</sup>

## Endnotes

1. See Securities Exchange Act Release No. 78081 (June 15, 2016), 81 FR 40364 (June 21, 2016) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval to a Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Market, as Modified by Amendment Nos. 1, 2, and 3; File No. SR-FINRA-2015-036).
2. Covered Agency Transactions include (1) To Be Announced (TBA) transactions, inclusive of adjustable rate mortgage (ARM) transactions, (2) Specified Pool Transactions and (3) transactions in Collateralized Mortgage Obligations (CMOs), issued in conformity with a program of an agency or Government-Sponsored Enterprise (GSE), with forward settlement dates, as defined more fully in paragraph (e)(2)(H)(i)c. of FINRA Rule 4210.
3. See Securities Exchange Act Release No. 81722 (September 26, 2017) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of Certain Amendments to FINRA Rule 4210 Approved Pursuant to SR-FINRA-2015-036) (extending, until June 25, 2018, the implementation date of the amendments to FINRA Rule 4210 pursuant to SR-FINRA-2015-036, other than the amendments pursuant to SR-FINRA-2015-036 that were implemented on December 15, 2016).
4. FINRA will periodically update the frequently asked questions and guidance as appropriate.
5. See note 3. Members should note that the risk limit determination requirements became effective on December 15, 2016, and are not affected by this *Notice*.