

Covered Agency Transactions

FINRA Extends Effective Date of Margin Requirements for Covered Agency Transactions

New Effective Date: March 25, 2020

Summary

In June 2016, the SEC approved¹ FINRA's rule change (referred to as the "rule change") amending FINRA Rule 4210 to establish margin requirements for Covered Agency Transactions.² FINRA is extending, to March 25, 2020, the effective date of the requirements pursuant to the rule change that otherwise would have become effective on March 25, 2019.³

Questions regarding this *Notice* should be directed to:

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- ▶ Adam Arkel, Associate General Counsel, Office of General Counsel, at (202) 728-6961 or Adam.Arkel@finra.org.

Background & Discussion

In June 2016, the SEC approved⁴ FINRA's rule change amending FINRA Rule 4210 to establish margin requirements for Covered Agency Transactions. 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.

In May 2018, FINRA issued [Regulatory Notice 18-18](#) to announce the extension of the implementation date for all other requirements pursuant to the rule change—broadly, the substantive margin requirements for Covered Agency Transactions—to March 25, 2019.⁵

February 12, 2019

Notice Type

- ▶ Guidance

Suggested Routing

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

Key Topics

- ▶ Covered Agency Transactions
- ▶ Margin

Referenced Rules & Notices

- ▶ FINRA Rule 4210
- ▶ Regulatory Notice 16-31
- ▶ Regulatory Notice 17-28
- ▶ Regulatory Notice 18-18

In extending the implementation date of the margin requirements for Covered Agency Transactions, FINRA noted that FINRA is considering whether any revisions to the requirements are appropriate. FINRA's consideration of potential revisions is ongoing.

FINRA is issuing this *Notice* to announce that FINRA is extending by an additional year, until March 25, 2020, the effective date of the margin requirements that otherwise would have become effective on March 25, 2019. Members should note that the risk limit determination requirements became effective on December 15, 2016, and are not affected by this *Notice*.

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); see also [Regulatory Notice 16-31](#) (August 2016) (announcing the SEC's approval of the rule change).
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. 85083 (February 8, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Implementation Date of Certain Amendments to FINRA Rule 4210 Approved Pursuant to SR-FINRA-2015-036; File No. SR-FINRA-2019-005) (extending, until March 25, 2020, 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. See note 1.
5. See Securities Exchange Act Release No. 83155 (May 2, 2018), 83 FR 20889 (May 8, 2018) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Implementation Date of Certain Amendments to FINRA Rule 4210 Approved Pursuant to SR-FINRA-2015-036; File No. SR-FINRA-2018-017). FINRA previously extended the implementation date of the amendments, other than the amendments relating to the risk limit determination requirements, in September 2017. See [Regulatory Notice 17-28](#).