August 31, 2026

Via Electronic Submission

Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, D.C. 20581

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Re: Joint Request for Comment on Further Implementation of Portfolio Margining and Cross-Margining of Securities and Derivatives (CFTC RIN 3038-AF72; SEC Release No. 34-105781; File No. S7-2026-23; RIN 3235-AN80)

Dear Mr. Kirkpatrick and Ms. Countryman:

MFA[1] appreciates the opportunity to submit this comment letter in response to the Joint Request for Comment on Further Implementation of Portfolio Margining and Cross-Margining of Securities and Derivatives ("**Request for Comment**" or "**RFC**"), issued jointly by the U.S. Commodity Futures Trading Commission ("**CFTC**") and the U.S. Securities and Exchange Commission ("**SEC**" and, together with the CFTC, the "**Commissions**").[2] MFA welcomes the

1 Managed Funds Association (MFA), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 Joint Request for Comment on Further Implementation of Portfolio Margining and Cross-Margining of Securities and Derivatives, 91 Fed. Reg. 39,579 (June 30, 2026) (CFTC RIN 3038-AF72; SEC

Commissions' cross-agency harmonization work, including the March 11, 2026 SEC-CFTC Memorandum of Understanding regarding Harmonization in Areas of Common Regulatory Interest[3] and the April 2026 conditional exemptive orders facilitating customer cross-margining of cleared U.S. Treasury securities and Treasury futures.[4]

MFA represents the global alternative investment industry, including hedge funds, credit funds, and other private funds. MFA's members are end users of both securities and derivatives markets and manage capital on behalf of pension funds, foundations, endowments, insurers, and other institutional investors. MFA's members are customers of broker-dealers, futures commission merchants ("**FCMs**"), swap dealers, and clearing organizations, and they therefore bear the economic consequences—directly through margin requirements and indirectly through intermediation costs and capacity constraints—of fragmented margin treatment across securities and derivatives.

We agree with the Commissions that requiring economically related positions to be held in separate accounts under different margin regimes produces excess collateral and liquidity demands without corresponding gains in market stability or investor protection.[5] Conflicting or duplicative regimes raise costs, suppress innovation, and reduce intermediation capacity—and those costs are ultimately borne by the underlying institutional investors whose capital MFA's members manage. In addition, the existing cross-product margin regime for regulated financial intermediaries subject to U.S. jurisdiction often compares unfavorably with that of other important jurisdictions—including the European Union, where the EMIR framework permits portfolio margining across correlated cleared products through a single central counterparty, and the United Kingdom—placing U.S. financial intermediaries and their clients at a competitive disadvantage. We urge the Commissions to seek every opportunity to streamline and simplify cross-product margining wherever possible.

We believe the core goal animating any regulatory actions in this area should be straightforward: ***financial intermediaries should be permitted to calculate and risk-manage***

Release No. 34-105781; File No. S7-2026-23; RIN 3235-AN80), available at: https://www.govinfo.gov/content/pkg/FR-2026-06-30/pdf/2026-13182.pdf.

3 SEC and CFTC, Memorandum of Understanding Regarding Harmonization in Areas of Common Regulatory Interest (Mar. 11, 2026), available at: https://www.sec.gov/files/mou-sec-cftc-2026.pdf.

4 *See* SEC Exchange Act Release No. 105248 (Apr. 15, 2026), 91 Fed. Reg. 21035 (Apr. 20, 2026); CFTC Order Providing Exemptive Relief to Facilitate Cross-Margining of Customer Positions Cleared at CME and FICC, 91 Fed. Reg. 20880 (Apr. 20, 2026), available at: https://www.govinfo.gov/content/pkg/FR-2026-04-20/pdf/2026-07636.pdf.

5 Request for Comment at 39580.

cross-product portfolios according to the net risk they actually present. This should inform the methods by which the Commissions oversee compliance by intermediaries with separate regulatory or supervisory regimes that may be overlapping, redundant or conflicting.

MFA believes the Commissions can more effectively achieve this goal and foster cross-product and portfolio margining arrangements by keeping the following principles in mind:

I. The Commissions should articulate the key principles for assessing margin regimes

MFA commends the efforts of Commission staff over the last few years to support cross-product margining of certain important products. For example, the Commissions' work to allow single-name CDS positions to be held in the same accounts as index positions and cross-margined to reflect the resulting net positions has given investors access to more effective credit risk management. MFA especially welcomes the April 2026 orders extending customer cross-margining to cleared U.S. Treasury securities and Treasury futures. Unfortunately, the cross-product margining arrangements available today have largely been ad hoc, bilateral and very product-specific, leading to prescriptive arrangements rather than charting a roadmap for other innovations.

MFA members believe the Commissions should take this opportunity to articulate the key principles that should be present in any cross-margining arrangement, regardless of which types of accounts or regulatory frameworks are involved. As a starting point, we would suggest the following:

1. Portfolio Margining should be permitted wherever instruments in the same portfolio reflect the same or substantially overlapping underlying economic risk factors. Eligibility should turn on whether positions are driven by the same or substantially overlapping underlying economic risk factor rather than solely on observed historical return correlation. Historical correlation may appropriately inform the amount of margin offset, particularly where positions are exposed to different risk factors, but the recognition of an economically meaningful hedge should not depend exclusively on historical correlation data, which may be regime-dependent and may become less reliable during periods of market stress.[6]

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[6] This is not to say that, where the underlying risk factors of two products are not the same, correlation should be ignored. Historical correlation data will be relevant in many cases. However, the availability of portfolio margin offsets for products involving the same risk should not depend upon the existence and reporting of such data.

2. Cross-product margining must be sensitive to maturity profiles. Although two products may have the same underlying risk factors, differences in maturity and liquidity should be reflected, as appropriate, in the calibration of margin offsets.

3. Portfolio margining must respect appropriate segregation of client assets.

4. Portfolio margining regimes must take account of any differences in the insolvency treatment of the relevant products. The Commissions therefore should do all they can within statutory constraints to align these outcomes.

5. Portfolio margining arrangements must be transparent to investors, predictable, and its underlying assumptions must be fully disclosed in a timely manner.

Several concrete arrangements would follow more readily were these principles—rather than the availability of a particular historical correlation dataset or a bespoke, product-specific approval—the primary drivers of the regime. It may be easier for the Commissions to begin by focusing on cleared positions rather than cleared and uncleared positions. For example, listed equity options and the cash equities underlying them are driven by the same underlying risk factor, yet are frequently held and margined in separate accounts; a principles-based approach would permit their net risk to be recognized. Similarly, exchange-traded equity index futures and a diversified basket of the underlying cash equities, or interest-rate futures and the cash Treasury or repo positions they hedge, present offsetting exposures to a common risk factor that a principles-based framework could recognize without the need for a separate, bilaterally negotiated program in each instance.

II. The Commissions should favor regimes that will remain operationally durable

Cross-margining arrangements should be designed to remain effective through temporary operational disruptions. Where a portfolio or cross-margining arrangement depends on risk calculations or other operational infrastructure maintained by multiple clearing organizations or other market participants, the temporary unavailability of one component should not automatically cause the arrangement to terminate or the portfolio to revert immediately to gross margining. Such an outcome can produce sudden and substantial collateral demands even though neither the positions in the portfolio nor their underlying economic risks have changed. As an example, the CME-FICC direct member cross-margining arrangements have on occasion been abruptly discontinued when one of the parallel portfolio margin risk models run by the relevant CCPs was not operating, causing margining to revert abruptly to gross treatment and producing margin increases unrelated to any change in portfolio risk.

Cross-margining arrangements should therefore incorporate robust, pre-established contingency mechanisms that permit appropriate recognition of portfolio offsets to continue during temporary operational disruptions. Depending on the circumstances, such mechanisms could include use of the most recently available margin calculation, alternative or backup calculations, appropriately conservative adjustments to existing margin requirements, or other risk-based fallback methodologies.

III. Wherever possible, on an account-specific basis, lead supervisory authority should be granted to a single regulator, with the others explicitly deferring

Wherever statutory authority permits, the Commissions should identify a lead agency for a given program and allow that agency's framework to govern the combined outcome, with the other Commission addressing its concerns on a timeline and process subordinate to the lead agency. Experience with the existing examples of cross-product margining has shown that intensive coordination between the Commissions (or between one or more Commission and the prudential regulators) is time-consuming and tends to lead to highly prescriptive outcomes. Although detailed collaboration between regulators may allow each to maintain its regime in respect of specific products, there is no reason to believe that such arrangements deliver better investor protection outcomes than any individual regime would deliver on its own. On the other hand, the process of obtaining approvals from multiple regulators delays the implementation of new cross-product margining arrangements and hampers their creation in the first place. Indeed, requiring two agencies to co-develop a combined process risks generating a third set of requirements found in neither agency's rules.

MFA therefore encourages the Commissions to favor allowing each of the Commissions to review, approve and oversee its own cross-margining arrangements, as long as they achieve the same core principles. The cleared credit default swap framework provides a working model: the SEC provided relief permitting qualifying positions to be held in a CEA Section 4d(f) account, while the substantive detail proceeded as regular-way CFTC regulation. Similarly, the Commissions should ensure that any regulatory review process for the assessment of any specific portfolio margining regime is as responsive and transparent as possible, with clearly defined criteria and defined timelines. Experience of market participants suggests that detailed, process intensive and overlapping regulatory review processes stifle and delay innovation in this area.

IV. Conclusion

For the reasons discussed above, MFA believes the Commissions have a valuable opportunity to move beyond the ad hoc, product-by-product arrangements that characterize cross-product margining today and to establish a coherent, principles-based framework grounded in the net risk that a portfolio actually presents. To that end, we urge the Commissions to:

(i) articulate a common set of principles for evaluating margin regimes—focused on whether positions are driven by the same underlying risk factor, while accounting for differences in maturity, client asset segregation, insolvency treatment, and transparency;

(ii) wherever statutory authority permits, designate a single lead regulator to review, approve, and oversee each program on an account-specific basis, with the other Commission deferring; and

(iii) treat operational durability—including graduated, risk-appropriate reversion from portfolio-basis to gross margining—as an express criterion in approving and supervising these programs.

We believe this approach would reduce unnecessary collateral and liquidity demands, enhance the competitiveness of U.S. intermediaries and their clients, and provide a durable roadmap for future cross-product margining innovation.

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MFA appreciates the opportunity to provide comments to the Commissions on its Request for Comment on Portfolio Margining. We would be happy to discuss our comments in greater detail with you. Please do not hesitate to contact Matthew Daigler (mdaigler@mfaalts.org) or the undersigned (jhan@mfaalts.org) with any questions regarding this letter.

Sincerely,

/s/ Jennifer W. Han

Jennifer W. Han
Chief Legal Officer & Head of Global Regulatory Affairs
MFA

cc: The Hon. Michael S. Selig, Chairman, CFTC
The Hon. Paul S. Atkins, Chairman, SEC
The Hon. Hester M. Peirce, Commissioner, SEC
The Hon. Mark T. Uyeda, Commissioner, SEC