

Memorandum

CFTC Finalizes Amendments to Uncleared Swap Margin Rules: Relief for Seeded Funds, Expanded Collateral Eligibility, and Simplified Haircut Schedules

July 17, 2026

On July 13, 2026, the U.S. Commodity Futures Trading Commission (the “CFTC” or “Commission”) adopted final amendments to its margin requirements for uncleared swaps.¹ The Final Rule, which will become effective 30 days after publication in the Federal Register, originated from recommendations by the CFTC’s Global Markets Advisory Committee (“GMAC”) Subcommittee on Margin Requirements, issued in May 2020² and proposed on August 8, 2023.³

Key Takeaways

- The **Seeded Funds Amendment** revises the definition of “margin affiliate” so that eligible seeded funds will be deemed not to have margin affiliates (and not to constitute margin affiliates of other entities) for up to three years from trading inception, effectively eliminating initial margin (“IM”) exchange requirements with covered swap entities (“CSEs”) during the seeding period. The rule aligns U.S. treatment of seeded investment funds with the framework established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (“BCBS/IOSCO”)⁴ and approaches adopted in Australia, Canada, the European Union and Japan.
- The **Eligible Collateral Amendment** eliminates the asset transfer restriction for money market fund (“MMF”) securities used as IM collateral, potentially expanding the eligible collateral pool from as few as 4 qualifying funds to approximately 72 Treasury MMFs (based on January 2026 data).
- The **Haircut Schedule Amendment** replaces the current dynamic weighted-average haircut methodology with a simplified, static three-tier schedule (0.5%, 2%, and 4%) for redeemable securities in pooled investment funds.

¹ Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, RIN 3038-AF36 (approved by the Commission, subject to pre-publication technical corrections) (“Final Rule”).

² Recommendations to Improve Scoping and Implementation of Initial Margin Requirements for Non-Cleared Swaps, Report to the CFTC’s Global Markets Advisory Committee by the Subcommittee on Margin Requirements for Non-Cleared Swaps (May 2020) (“Margin Subcommittee Report”).

³ Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 88 FR 53409 (Aug. 8, 2023) (“Proposal”).

⁴ BCBS/IOSCO, Margin requirements for non-centrally cleared derivatives (April 2020), Footnote 10.

- **Prudential Regulator Divergence:** The U.S. prudential regulators (the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Farm Credit Administration and Federal Housing Finance Agency, together the “Prudential Regulators”) have not adopted parallel amendments, creating a potential compliance bifurcation for dual-registered entities.

Background

In 2016, the CFTC adopted Commission Regulations 23.150 through 23.161 (the “CFTC Margin Rule”) to implement Section 4s(e) of the Commodity Exchange Act.⁵ The CFTC Margin Rule requires swap dealers and major swap participants not subject to a Prudential Regulator (collectively, “covered swap entities” or “CSEs”) to exchange IM for uncleared swaps with counterparties that are swap dealers or major swap participants or financial end users with material swaps exposure (“MSE”). MSE is defined as aggregate average notional amount (“AANA”) exceeding \$8 billion, calculated at the group level by aggregating the exposure of an entity and its margin affiliates.⁶ Where the aggregate IM credit exposure between the parties and their respective margin affiliates exceeds a \$50 million IM threshold amount, CSEs must post and collect IM.⁷

Under the CFTC Margin Rule, a company is a “margin affiliate” of another company if one consolidates the other on financial statements prepared under U.S. Generally Accepted Accounting Principles, the International Financial Reporting Standards, or other similar standards, or if both consolidate with a third company.⁸ Because newly seeded investment funds typically consolidate with their sponsor entities during the seeding period, they are treated as margin affiliates of the sponsor, causing their AANA to be calculated on a group basis. Although an individual seeded fund may have only modest swap exposure, its affiliation with a larger group can cause it to exceed the MSE threshold, requiring CSEs to exchange IM with the fund.⁹ Certain market participants, through the GMAC Subcommittee process, argued that this treatment was disproportionate to the funds’ limited individual activity and imposed burdensome operational costs on small, start-up funds.¹⁰

Separately, the CFTC Margin Rule permits CSEs to post or collect as IM certain redeemable securities in pooled investment funds including government money market funds, provided the fund’s investments are limited to U.S. Treasuries and cash (or equivalent sovereign securities).¹¹ However, the CFTC Margin Rule included an “asset transfer restriction” that disqualified fund securities where the fund’s asset managers transfer assets through

⁵ Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 FR 636 (Jan. 6, 2016); 7 U.S.C. 6s(e).

⁶ 17 CFR 23.151.

⁷ 17 CFR 23.151; 17 CFR 23.152.

⁸ 17 CFR 23.151.

⁹ Final Rule at II.A.1; Proposal at 53413.

¹⁰ Margin Subcommittee Report at 31-33.

¹¹ 17 CFR 23.156(a)(1)(ix).

securities lending, repurchase agreements, or similar arrangements.¹² Because nearly all U.S. government MMFs engage in repurchase transactions, the restriction rendered the securities of most MMFs ineligible as margin collateral, thereby limiting a collateral option that the Commission had intended to make broadly available.¹³

The Seeded Funds Amendment

The Final Rule revises the definition of “margin affiliate” to provide that an “eligible seeded fund” will be deemed not to have any margin affiliates and not to constitute a margin affiliate of any other entity for a period of up to three years from the fund’s “trading inception date” (the date on which the fund’s asset manager first begins making investments on behalf of the fund). This treatment is broader than what was in the Proposal: the Commission originally would have required the fund’s sponsor and affiliates to continue including the eligible seeded fund’s swap exposure in their own MSE and IM threshold calculations. The Final Rule eliminates such requirement entirely, meaning the sponsor and its other affiliates need not account for the eligible seeded fund’s exposure during the three-year period.

Existing swaps entered into between a CSE and an eligible seeded fund during such three-year period would not lose the benefit of the seeded fund exemption after the period expires, but swaps entered into thereafter would be subject to IM requirements (to the extent applicable). If at any point during the three-year period, the fund’s individual AANA exceeds the \$8 billion MSE threshold and the fund individually crosses the \$50 million IM threshold with its counterparty, IM exchange would become required for swaps entered into thereafter (notwithstanding the exemption from consolidation with its affiliates). CSEs must still include the notional value of swaps with eligible seeded funds in their own AANA calculations.

The Final Rule defines an “eligible seeded fund” as a collective investment vehicle that has received all or part of its start-up capital from a parent or affiliate (each, a “sponsor entity”) and that meets the following six conditions:

1. the fund is a distinct legal entity from each sponsor entity;
2. the fund is managed by an asset manager pursuant to an agreement that requires the fund’s assets to be managed in accordance with a specified written investment strategy;
3. the fund’s asset manager has independence in carrying out its management responsibilities and exercising its investment discretion, and, to the extent applicable, has independent fiduciary duties to the fund and other investors, such that no sponsor entity or margin affiliate of a sponsor entity (except for the fund’s asset manager in the exercise of its management responsibilities) controls or has transparency into the management or trading of the fund;

¹² 17 CFR 23.156(a)(1)(ix)(C).

¹³ Margin Subcommittee Report at 24, 27; Proposal at 53416-53418.

4. the fund is not collateralized, guaranteed, or otherwise supported, directly or indirectly, by any sponsor entity, any margin affiliate of a sponsor entity, other collective investment vehicles, or the fund's asset manager, in respect of any of the fund's obligations;
5. the fund has not received any of its assets, directly or indirectly, from an eligible seeded fund that previously relied on the exception (an anti-rollover provision); and
6. the fund is not a securitization vehicle.

Notably, the Commission dropped from the Final Rule two conditions from the Proposal: (i) the requirement that at least one of the seeded fund's margin affiliates already be exchanging IM, which commenters argued would create inequitable treatment depending on corporate group composition; and (ii) the requirement for a written plan specifying divestiture targets for reducing the sponsor's ownership interest, which the Commission determined was unnecessary given existing market and regulatory incentives for sponsors to reduce their stakes.

The Eligible Collateral Amendment

The Final Rule eliminates the asset transfer restriction which disqualifies as eligible collateral the securities of money market and similar funds whose asset managers transfer fund assets through securities lending, repurchase agreements, reverse repurchase agreements, or similar arrangements. According to the Margin Subcommittee Report, citing research by a leading custodial bank, only four U.S. MMFs met the requirements of the current rule;¹⁴ as of January 2026, there were approximately 72 Treasury MMFs whose shares could potentially qualify as eligible collateral absent the restriction.¹⁵

Once the Final Rule is effective, government MMFs that engage in repo transactions will qualify as eligible IM (and variation margin (VM)) collateral, provided their underlying investments remain limited to U.S. Treasuries and cash (or equivalent sovereign securities under subparagraph (B)). Notably, the Commission did not impose any additional restrictions: there are no caps on the volume or nature of a fund's repo activity, no requirement that the fund's repo transactions be cleared, and no additional haircuts beyond those specified in the amended haircut schedule. Prime MMFs, which invest in a broader range of privately-issued instruments, will continue to be ineligible.

The Haircut Schedule Amendment

The Final Rule adds fixed percentage haircuts to the standardized haircut schedule for eligible redeemable securities in pooled investment funds, replacing the dynamic weighted-average approach contemplated by the margin rules of the Prudential Regulators with a simpler static methodology:

- **0.5% haircut:** Fund limits investments to securities with residual maturity < 1 year or maintains a

¹⁴ Margin Subcommittee Report at 24 (citing research by a leading custodial bank finding only four U.S. MMFs meeting the requirements of 17 CFR 23.156(a)(1)(ix)).

¹⁵ Final Rule at II.B.1 (citing SEC Money Market Fund Statistics, January 2026 Supporting Data).

maximum value-weighted average portfolio maturity < 1 year (includes SEC Rule 2a-7 MMFs).

- **2% haircut:** Fund's maximum maturity is between 1–5 years.
- **4% haircut:** Fund does not restrict investments to < 5 year maturity.

CSEs will be able to rely on a fund's offering documents or prospectus to determine the applicable haircut tier based on the fund's stated investment restrictions regarding maximum residual maturity or maximum value-weighted average portfolio maturity. SEC-registered MMFs subject to Rule 2a-7 which are limited to securities with a remaining maturity of less than 397 days and must maintain a dollar-weighted average portfolio maturity not exceeding 120 calendar days would be subject to the 0.5% haircut.¹⁶ Once effective, this amendment will supersede the haircuts specified in CFTC Staff Letter 25-11 regarding exchange-traded funds as eligible collateral.¹⁷

Practical Considerations for Market Participants

Once effective, the Final Rule could have significant implications across the derivatives markets.

FOR ASSET MANAGERS AND FUND SPONSORS

Asset managers and fund sponsors may wish to assess whether existing or planned seeded funds meet the “eligible seeded fund” definition. While the Commission dropped the written divestiture plan requirement, the structural independence conditions (particularly the fiduciary duties, no-guarantee, and distinct-legal-entity requirements) must be documented and maintained. Sponsors should monitor the three-year clock from trading inception date and prepare for reintegration into group AANA and MSE calculations at the end of the seeding period.

FOR SWAP DEALERS AND OTHER CSES

CSEs may need to update AANA and IM threshold monitoring procedures to reflect the new treatment of eligible seeded funds. Eligible collateral schedules and custodial arrangements could be revised to accept a broader universe of MMF securities. CSEs would apply the new static haircut tiers based on fund offering documents rather than dynamic portfolio-level calculations. VM collection and risk management obligations continue for all transactions with eligible seeded funds, and documentation and onboarding procedures may need to be updated to reflect the amended rules.

FOR CUSTODIANS AND SERVICE PROVIDERS

The elimination of the asset transfer restriction could create expanded opportunities for custodians offering MMF sweep programs, potentially increasing the volume of eligible collateral assets under custody.

¹⁶ 17 CFR 270.2a-7(d).

¹⁷ CFTC Staff Letter 25-11 (April 14, 2025) (interpretive letter regarding ETFs as eligible collateral under 17 CFR 23.156(a)(1)(ix)).

DIVERGENCE FROM PRUDENTIAL REGULATORS

The Prudential Regulators have not at this time adopted amendments parallel to the Seeded Funds Amendment or the Eligible Collateral Amendment. Their margin rules for uncleared swaps continue to include a definition of “margin affiliate” equivalent to the current CFTC definition, and their eligible collateral provisions retain the asset transfer restriction. Market participants subject to both the CFTC Margin Rule and the Prudential Regulators’ margin rules may need to maintain dual compliance frameworks for relevant swap portfolios.

Looking Ahead

The Prudential Regulators may in time consider similar amendments to their own uncleared swap margin frameworks, which could reduce the compliance bifurcation that currently exists. Separately, the SEC’s Treasury clearing rule compliance date for eligible repo market transactions has been extended to June 30, 2027¹⁸—a development relevant to the repo market in which eligible MMFs participate and which may affect the operational landscape for MMF collateral. The Commission has indicated that it will monitor implementation of these amendments and rely on existing anti-evasion tools to address any concerns regarding circumvention of the margin requirements.¹⁹

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¹⁸ Standards for Covered Clearing Agencies for U.S. Treasury Securities, 89 FR 2714 (Jan. 16, 2024); SEC extended compliance date for eligible repo market transactions to June 30, 2027 (Feb. 25, 2025).

¹⁹ 17 CFR 23.402(a)(ii); 7 U.S.C. 6b.