

Visual Memo: The SEC's Security-Based Swap Capital, Margin and Segregation Rules

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On June 21, 2019, the SEC adopted security-based swap (**SBS**) capital, margin and segregation requirements (the **SEC Rules**) for SBS dealers (**SBSDs**) and major SBS participants, revised the capital and segregation requirements for broker-dealers that are not SBSDs to the extent they engage in SBS activities, and increased the minimum capital requirements for broker-dealers authorized to use internal models to compute net capital. The SEC Rules do not start the registration or compliance clock for SBSDs.

The SEC Rules are a key final rule in the suite of capital, margin and segregation rules under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, along with the margin and segregation requirements for swap dealers (**SDs**) previously adopted by the CFTC (the **CFTC Rules**) and the capital, margin and segregation requirements for SBSDs and SDs previously adopted by the U.S. prudential regulators (the **PR Rules**). While the SEC Rules, and the margin requirements under the SEC Rules in particular, reflect significant efforts to harmonize the requirements for an SBSd with those under the CFTC Rules for an SD, some key differences remain.

This visual memorandum describes the SEC Rules in detail, with a focus on the circumstances under which a firm is subject to the SEC Rules, CFTC Rules and PR Rules—or more than one of these rule sets.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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