



Submitted to MRAC_comments@cftc.gov

Petal Walker
Chief Counsel to Commissioner Bowen
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

3 December 2014

Dear Ms. Walker:

Re: Market Risk Advisory Committee

LCH.Clearnet Group Limited (“LCH.Clearnet” or “The Group”) is pleased to have the opportunity to respond to the request for comment on topics for discussion at future meetings of the Commodity Futures Trading Commission’s (“the CFTC” or “Commission”) Market Risk Advisory Committee (“MRAC”), and to nominate an LCH.Clearnet representative to MRAC.¹

LCH.Clearnet commends the Commission for creating MRAC and is pleased that Commissioner Bowen is acting as the sponsor of MRAC. MRAC’s focus on matters of public concern to clearinghouses, exchanges, intermediaries, market makers, end-users and the Commission regarding systemic issues that threaten the stability of the derivatives markets and other financial markets, and on assisting the Commission in identifying and understanding the impact and implications of an evolving market structure and the movement of risk across clearinghouses, intermediaries, market makers and end-users is timely given the scope of recent change in the markets regulated by the Commission. LCH.Clearnet believes that MRAC’s charter complements the charters of the other important Commission Advisory Committees.

LCH.Clearnet Overview

The LCH.Clearnet Group is the leading multi-asset class and multi-national clearinghouse, serving major international exchanges and platforms as well as a range of OTC markets. It clears a broad range of asset classes including securities, exchange-traded derivatives, commodities, energy, freight, foreign exchange derivatives, interest rate swaps, credit default swaps, and euro and sterling denominated bonds and repos. LCH.Clearnet works closely with market participants and exchanges to continually identify and develop innovative clearing services for new asset classes.² All three of

¹ 79 FR 68870 (November 19, 2014).

² LCH.Clearnet Group Limited consists of three operating entities: LCH.Clearnet Limited, the UK entity, LCH.Clearnet SA, the Continental European entity, and LCH.Clearnet LLC, the US entity. [Link to Legal and Regulatory Structure of the Group:](#)

the clearinghouses in the LCH.Clearnet Group are registered with the CFTC as derivative clearing organizations (“DCOs”). LCH.Clearnet Group Limited is majority owned by the London Stock Exchange Group, a diversified international exchange group that sits at the heart of the world’s financial community.

Suggested MRAC Discussion Topics

From its vantage point as the largest clearinghouse for US dollar denominated swaps and for swaps cleared by US persons, LCH.Clearnet has identified a number of important topics that are ripe for discussion at MRAC meetings in order to assist the Commission in identifying and understanding the impact and implications of an evolving market structure and the movement of risk across clearinghouses, intermediaries, market makers and end-users. These discussions would inform any recommendations from MRAC to the Commission on how to improve market structure and mitigate risk to support the Commission's mission of ensuring the integrity of the derivatives markets and monitoring and managing systemic risk. LCH.Clearnet suggests the following topics for discussion at future MRAC meetings.

- Importance of robust DCO default management fire drills
- Evolution in standardization of products and liquidation assumptions
- Challenges of clearing/risk managing/default managing complex derivative products
- Understanding intraday and overnight credit risk run by CCPs
- Spotlight on investment risk run by CCPs
- Impact of Basel III capital requirements on client clearing and incentives to clear
- Recovery and resolution framework for CCPs
- Drivers for and impact of swaps compression offerings
- Implications of evolution of swaps market structure for market participants
- Cybersecurity for DCOs and other market participants in an interconnected market

Nomination for Membership on MRAC

LCH.Clearnet respectfully nominates Dennis McLaughlin for membership on MRAC. Dennis is the Group Chief Risk Officer of LCH.Clearnet. Dennis has over 20 years of experience in risk management and finance. Dennis’ current role and his background are well-suited to providing significant contributions to the discussions at MRAC meetings on issues within the charter of MRAC. Dennis’ biography is attached.

Conclusion

LCH.Clearnet appreciates the opportunity to share our views on topics for discussion at future MRAC meetings and to nominate Dennis McLaughlin as a member of MRAC. Please do not hesitate to

http://www.lchclearnet.com/about_us/corporate_governance/legal_and_regulatory_structure.asp



contact me at 202-349-4047 or susan.milligan@lchclearnet.com regarding any questions raised by this letter or to discuss these comments in greater detail.

Yours sincerely,

A handwritten signature in black ink that reads 'Susan Milligan' followed by a horizontal line.

Susan Milligan
Head of US Public Affairs

Attachment



Dennis McLaughlin, Group Chief Risk Officer, LCH.Clearnet

Dennis McLaughlin has over 20 years experience in risk management and finance. He joined LCH.Clearnet from AON where he was the CEO for Innovation and Analytics, and where he introduced and developed an entirely new suite of analytics to the insurance industry. Previous to that, Dennis held the roles of Global Head of Capital and Balance Sheet Management at Merrill Lynch where he was the key architect of the Jump-to-Default and Incremental Default Risk Framework, and Director of Capital, Global Consumer Group at Citigroup.

Dennis started his finance career as a consultant in the Global Risk Management practice at McKinsey where he focused on the risk management of Traded Products and the development of risk systems and analytical algorithms. Prior to that Dennis was a professor at Princeton University where he taught mathematics and quantitative finance.

Dennis has an MBA from Wharton School, University of Pennsylvania, a Ph.D. in Mathematics from Brown University and a MA in Mathematical Science from University College, Dublin.