

Christopher Kirkpatrick, Secretary
Commodity Futures Trading Commission
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- **17 CFR Parts 1, 39 and 140**
- **RIN Number 3038-AE66**
- **Derivatives Clearing Organization General Provisions and Core Principles**

Dear Mr. Kirkpatrick.

Thank you for giving us the opportunity to comment on your notice of proposed rulemaking on Derivatives Clearing Organization General Provisions and Core Principles.

The Commodity Futures Trading Commission (Commission) is proposing amendments to certain regulations applicable to registered derivatives clearing organizations (DCOs). These proposed amendments would, among other things, address certain risk management and reporting obligations, clarify the meaning of certain provisions, simplify processes for registration and reporting, and codify existing staff relief and guidance. In addition, the Commission is proposing technical amendments to certain provisions, including certain delegation provisions, in other parts of its regulations.

Financial Resources - § 39.11

I strongly support your proposal to add § 39.11(c)(2)(i)(A) to require a DCO to calculate its largest financial exposure net of the clearing member's required initial margin amount on deposit. This approach prudently focuses a DCO's analysis on the resources that would actually be available to it during times of stress, and is consistent with CPMI-IOSCO

Please note that the comments expressed herein are solely my personal views

guidance¹ that suggests that central counterparties should take into account only prefunded financial resources when assessing the adequacy of their financial resources. This addition will further enhance the financial soundness of DCOs and improve protection for market participants and the public.

Governance Fitness Standards, Conflicts of Interest, and Composition of Governing Boards - §§ 39.24, 39.25 and 39.26

I support your proposal to remove § 39.32 and adopt new §§ 39.24, 39.25 and 39.26, which would incorporate all of the requirements of § 39.32 and move them to subpart B, making them applicable to all DCOs, not just systemically important derivatives clearing organizations and subpart C DCOs. These standards are clearly appropriate for all DCOs and will enhance risk management and governance, thus further improving the protection for market participants and the public.

Yours sincerely

C.R.B.

Chris Barnard

¹ See CPMI-IOSCO Final Report, Resilience of central counterparties (CCPs): Further guidance on the PFMI, July 2017, available at <https://www.bis.org/cpmi/publ/d163.pdf>. Principles 4.2.4 and 4.2.5 sensibly suggest prudence in the amount of collateral to be recognised.