



October 7, 2022

VIA ELECTRONIC SUBMISSION

Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre 1155 21st Street N.W.
Washington, DC 20581

Re: Request for Information on Climate-Related Financial Risk

Dear Mr. Kirkpatrick,

Cboe Global Markets, Inc. (“Cboe”) appreciates the opportunity to provide comments on the Commodity Futures Trading Commission (“CFTC” or “Commission”) Request for Information in connection with efforts around climate-related financial risk (“Request for Information” or “RFI”).¹ Cboe is committed to supporting our clients, communities and investors as they navigate climate-related challenges. We are also committed to robust risk management. While we’ve not identified any clear need for CFTC action with respect to climate-related financial risk, we applaud the CFTC for its thoughtful inquiry and look forward to further discussions.

Cboe operates several CFTC-registered entities: Cboe Futures Exchange, LLC (“CFE”) is a registered Designated Contract Market (“DCM”); Cboe SEF, LLC (“Cboe SEF”) is a registered swap execution facility (“SEF”); Cboe Digital Exchange, LLC (“Cboe Digital Exchange”) is a registered DCM; and Cboe Clear Digital, LLC (“Cboe Clear Digital”) is a registered Derivatives Clearing Organization (“DCO”).²

The core of these businesses is providing risk management products to the financial industry in the form of exchange-traded, centrally cleared financial futures. Unsurprisingly then, Cboe is focused on smart and effective risk management. Our Enterprise Risk Management (“ERM”) program assesses

¹ 87 FR 43501 (July 21, 2022).

² In addition to the products offered by these CFTC-registered entities, Cboe also offers trading across a diverse range of products in multiple asset classes and geographies, including options, futures, U.S., Canadian and European equities, exchange-traded products (“ETPs”), global foreign exchange (“FX”) and volatility products based on the VIX Index, recognized as the world’s premier gauge of U.S. equity market volatility.

significant risks to Cboe, including but not limited to operational, business, environmental, governance, compliance, and legal risks. To the extent climate-related risks have a potential impact on other significant Cboe risks, they are assessed under the ERM program. The aim is to identify, assess, respond to and report opportunities and threats to Cboe's goals and objectives, and the purpose of this program is to define our approach to doing so. When Cboe's key risks are identified, including those indirectly impacted by climate-related issues, risk mitigation plans are developed and monitored as part of our ERM program.

With respect to climate-related financial risk, the CFTC notes that these risks fall into two broad categories: physical risks and transition risks. While physical risks tend to be characterized by harm caused by acute, climate-related events, transition risks tend to be characterized as stresses to certain financial institutions or sectors that result from shifts in policy, regulations, customer and business preferences, technology, credit or insurance availability, or other market or social forces that can affect business operations. Whether physical risk or transition risk, we share views with other commenters that when considering climate-related financial risk we must clearly recognize the distinct purpose and function of the entities in question.

The role of a DCO is to manage the risk arising from its capacity of becoming the buyer to every seller and the seller to every buyer. DCOs are not appropriately placed to manage discreet climate-related financial risks. Rather, a DCO is best placed to pursue risk management through existing risk management practices including, among others, approaches to margin, stress testing, and clearing member default management practices, and DCOs are effectively managing and mitigating risks through these practices. From a regulatory perspective, we believe that it would be less effective to focus on any one specific event. Rather, it is most helpful to support the ability of DCOs to flexibly adopt approaches to manage and mitigate the potential impact of such events, whether that be through margining, stress testing, or other risk-management practices a DCO employs as part of its carefully crafted risk management framework that is unique to the characteristics and risks of the individual CCP.

With respect to trading venues, their primary purpose is to bring together buyer and seller in a fair and transparent manner. As with DCOs, trading venues offer varied products and services, and this, in turn, determines the risk management processes in place. For example, Cboe Digital (f/k/a Eris Digital Holdings or ErisX) operates a U.S.-based digital asset spot market and, as previously mentioned, a regulated futures exchange and regulated clearinghouse. Particular risk management processes relevant to crypto assets may differ from venues offering traditional assets; however, with respect to climate-related financial risks in the digital asset space, we believe the risks – physical and transition – are also sufficiently captured by existing risk management processes. Beyond financial risks, we recognize that commenters have raised climate-related *non-financial* concerns with respect to the crypto assets ecosystem. While we believe regulatory action in this area would be premature, we support efforts to better understand the relevant environmental impacts and mitigants.

Lastly, the principles-based approach allows DCOs, DCMs, and SEFs to effectively identify and address the unique risks of their distinct products and markets. The extent to which climate-related financial risks may impact them will vary. Because of this, we don't believe these risks are something that can be assessed, managed, or overseen by policymakers in a singular approach. The existing CFTC regulatory

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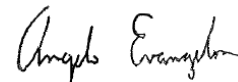
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framework is appropriately principles-based, and, as a result, provides the flexibility required by regulated entities to adequately tailor risk management practices to the unique risks of their products and markets.

We do not believe there is a clear or obvious need for CFTC action as it pertains to climate-related financial risk relevant to our CFTC registered entities. To the extent particular risks arise over time, the current principles-based regulatory framework for CFTC registered clearinghouses and trading venues is able to provide flexibility for the consideration of any ongoing and emerging climate-related financial risks.

Cboe appreciates the opportunity to share its views on the request for information and welcomes the opportunity to discuss these comments further.

Sincerely,



Angelo Evangelou
Chief Policy Officer
Cboe Global Market