

October 10, 2022

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

Re: Governance Requirements for Derivatives Clearing Organizations (RIN 3038-AF15)

Dear Mr. Kirkpatrick:

We appreciate the opportunity to provide comments to the Commodity Futures Trading Commission (the “Commission”) on its proposed rules to enhance derivatives clearing organization (“DCO”) governance (the “Proposal”).¹ DCOs are integral to U.S. financial markets, clearing trillions of dollars of transactions daily and mitigating operational, counterparty, and systemic risk through multilateral netting and robust risk management and default management frameworks. We have consistently supported policy measures that facilitate broader access to central clearing and believe that enhanced central clearing increases resiliency, liquidity and transparency in financial markets.

We support the Proposal, which would further strengthen DCO resiliency and operating standards by allowing greater engagement and input from market participants on risk-related matters. The Proposal would enhance DCO governance by requiring DCOs to establish one or more risk management committees to assist their boards in matters related to risk management. The Proposal would also require DCOs to establish one or more market participant risk advisory working groups as an additional forum to obtain input from a broader range of market participants. Importantly, the Proposal would require DCO boards to consult market participants, including customers of direct members, on important risk matters.² The perspectives of DCO customers on risk-based matters is critical information that should be formally considered by DCO boards, and doing so would enable boards to manage DCO risk more effectively.

The CFTC requests comments on two potential further governance requirements for DCOs. The two potential requirements include requiring DCOs to (i) consult with a ‘broad spectrum’ of market participants prior to submitting a rule change; and to (ii) respond to market participant feedback, specifically where the feedback has not been incorporated into the DCO’s decision.³ We support adopting these requirements and believe they would further enhance transparency and accountability of DCOs. Requiring DCOs to establish a formal process for soliciting and considering input from customers of direct members will result in fairer and more informed

¹ Governance Requirements for Derivatives Clearing Organizations, 87 Fed. Reg. 49559 (Aug. 11, 2022).

² See Proposed CFTC Rule 39.24(b)(11)(ii) (requiring the risk management committee to include representatives of “customers of clearing members”).

³ 87 Fed. Reg. at 49562.

decision-making, and ultimately more confidence in the clearing infrastructure. We also believe this would enhance the CFTC's review of DCO rule changes by informing the CFTC whether a DCO has solicited, considered and incorporated meaningful market participant input. This information would aid the CFTC in determining whether to approve a rule filing, allow a filing to self-certify, or otherwise issue a stay for additional review and public comment.

One area that deserves particular attention is providing greater predictability and transparency to market participants regarding DCO margin methodologies. It is important that margin requirements are calculated pursuant to a predictable and transparent methodology that enables participants and their customers to accurately model and forecast margin calls. This assists market participants in managing their liquidity needs, and minimizes the risk of market disruptions. While the Proposal would increase transparency and market participant involvement in risk management matters, including material changes to a DCO's margin model, we believe this Proposal alone will not go far enough in providing greater predictability and transparency into DCO margin methodologies.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy