

MEMO# 34295

September 26, 2022

Your Comments Requested: ICI Draft Letter on CFTC and SEC CCP Governance and Conflicts of Interest Proposals

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TO: Derivatives Markets Advisory Committee
Equity Markets Advisory Committee RE: Your Comments Requested: ICI Draft Letter on CFTC and SEC CCP Governance and Conflicts of Interest Proposals

Attached for your review is ICI's draft comment letter to the CFTC's DCO governance rule proposal and the SEC's clearing agency governance and conflicts of interest proposal. ICI plans on filing the letter to both agencies on Friday, October 7. Therefore, please provide me with any feedback or comments by email at nhan.nguyen@ici.org no later than COB Friday, September 30.

ICI's letter expresses support for the proposals, which would codify standards for DCOs and registered clearing agencies with respect to risk management committees (RMCs). The letter further recommends that (i) the SEC harmonize its RMC requirements with the CFTC's more prescriptive requirements; (ii) RMCs include a meaningful proportional of customers; and (iii) RMC members be allowed to share information with fellow employees to obtain additional expert opinion. The letter also expresses support for the CFTC's proposed requirement that DCOs establish risk advisory working groups, as well as the SEC's proposed majority independent director requirement for clearing agency boards. However, the letter recommends that the SEC explicitly mandate (and the CFTC consider) board representation for customers of clearing members.

Further, the letter also recommends that the CFTC and SEC adopt additional governance requirements based on the CFTC's CCP Governance and Risk Subcommittee's February 2021 report. These requirements include (i) consulting with a "broad spectrum" of market participants prior to submitting a rule change; and (ii) responding to market participant feedback, specifically where the feedback has not been incorporated into the DCO's (or clearing agency's) decision.

Lastly, the letter urges the agencies to continue moving forward to address several other areas related to DCOs and clearing agencies, specifically (i) CCP margin methodologies; (ii) CCP transparency and disclosures; (iii) CCP liquidity risk and stress testing; and (iv) CCP

capital and skin-in-the-game.

If you have any questions or would like to further discuss, please don't hesitate to let me know.

Nhan Nguyen
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