

MEMO# 34306

October 10, 2022

ICI Files Comment Letter to CFTC and SEC on CCP Governance and Conflicts of Interest Proposals

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TO: ICI Members
Derivatives Markets Advisory Committee
Equity Markets Advisory Committee
SUBJECTS: Trading and Markets RE: ICI Files Comment Letter to CFTC and SEC on CCP Governance and Conflicts of Interest Proposals

ICI has filed the attached comment letter with the CFTC on its DCO governance rule proposal and the SEC on its registered clearing agency governance and conflicts of interest rule proposal.

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 and Risk Advisory Working Groups (RWGs) include a meaningful proportion 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 RWGs, 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 also consider) board representation for clearing member customers.

Further, the letter 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.

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