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ICI Files Comment Letter on SEC and CFTC Proposed Rules for Clearinghouse Resiliency and Recovery and Wind-Down Plans

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TO: Derivatives Markets Advisory Committee
Fixed-Income Advisory Committee
Money Market Funds Advisory Committee SUBJECTS: Derivatives
Fixed Income Securities
Settlement
Trading and Markets RE: ICI Files Comment Letter on SEC and CFTC Proposed Rules for Clearinghouse Resiliency and Recovery and Wind-Down Plans
As previously reported, the SEC and the CFTC recently proposed amendments to the rules for covered clearing agencies (CCAs) and derivatives clearing organization (DCOs),1 respectively, related to resiliency, and recovery and wind-down plans (RWPs).2 Yesterday, ICI filed the attached comment letter in response to the proposals. The letter is summarized below.

ICI's comment letter supports the agencies' proposals to prescribe the content of clearing entities' RWPs and particularly supports requiring clearing entities to account for the interests of clearing members and their customers. We outline, however, certain recommendations to provide greater certainty to market participants, improve market confidence, and ensure that clearing members and their customers will receive fair treatment during a clearing entity's recovery and/or wind-down proceedings. Specifically, we strongly recommend that the agencies:

- Harmonize their proposed amendments for clearing entities' RWPs, given that several key clearing entities are registered with both the CFTC and SEC;
- Prescribe the tools a clearing entity must use during a recovery or wind-down;
- Ensure that RWPs distinguish between the clearing entity's approaches to default and non-default loss scenarios; and
- Enhance transparency of RWPs and require clearing entities to consider the input from their risk management committees (RMCs) and risk advisory working groups (RWGs).

Moreover, while we support the SEC's proposed amendments regarding intraday margin, we recommend enhancing the intraday margin collection process by, among other things, limiting CCAs' use of unscheduled intraday margin calls and requiring CCAs to clearly communicate to market participants the thresholds that would trigger an intraday margin call. Finally, we highlight other important areas in which the agencies should take further action to increase the transparency and resilience of DCOs and CCAs.

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