

October 7, 2022

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F St. NE, Washington DC
20549-1090

Re: Clearing Agency Governance and Conflicts of Interest (File No. S7-21-22)

Dear Ms. Countryman:

We appreciate the opportunity to provide comments to the Securities and Exchange Commission (the “Commission”) on its proposed rules to enhance clearing agency governance and to mitigate conflicts of interest (the “Proposal”).¹ Clearing agencies are integral to U.S. financial markets, managing the settlement process for trillions of dollars of transactions daily and reducing operational and counterparty 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 proposed requirement for registered clearing agencies to implement written policies and procedures to solicit and consider the views of participants (including customers of direct members, hereafter “customers”) regarding material developments in governance and operations.² As noted in the Proposal, there may be circumstances where the interests of the clearing agency, its direct members, and customers are not fully aligned. Requiring clearing agencies to establish a formal process for soliciting and considering input from all relevant stakeholders will result in fairer and more informed decision-making, and ultimately more confidence in the clearing infrastructure.³

One area that deserves particular attention is providing greater predictability and transparency to market participants regarding clearing agency 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. The Commission appropriately recognizes that “[t]rust among market participants in the national system for clearance and settlement, particularly in times of market

¹ Clearing Agency Governance and Conflicts of Interest, 87 Fed. Reg. 51812 (Aug. 23, 2022).

² Proposed Rule 17Ad-25(j).

³ We note the separate Commission proposal to impose a clearing requirement for certain Treasury cash and repo transactions, which will require material changes to be made by the relevant clearing agency (including with respect to facilitating indirect access). Requiring clearing agencies to implement a formal process for soliciting and considering customer views will help facilitate this market transition. *See* Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities, Exch. Act Rel. No. 95763 (Sept. 14, 2022).

stress, necessarily depends on trust in the ability of registered clearing agencies to more effectively manage the risk flowing from that market stress and, when necessary, transparently and objectively impose increased margin requirements or employ loss allocation mechanisms.”⁴ In this regard, we recommend that the Commission assess how greater predictability and transparency can be provided to market participants regarding margin methodologies as part of a clearing agency’s governance process.

Respectfully,

/s/ Stephen John Berger
Managing Director
Global Head of Government & Regulatory Policy

⁴ 87 Fed. Reg. at 51819.