

Securities and Exchange Commission
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Chris Barnard

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- **17 CFR Part 240**
- **Release Nos. 34-78963; File No. S7-23-16**
- **Definition of “Covered Clearing Agency”**

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed rule on: Definition of “Covered Clearing Agency”.

The SEC are proposing to amend the definition of “covered clearing agency” under Rule 17Ad-22 to mean a registered clearing agency that provides the services of a central counterparty (CCP), central securities depository (CSD), or a securities settlement system (SSS). The SEC also proposes a definition of “securities settlement system” and proposes to amend the definitions of “central securities depository services” to facilitate the proposed amendment to “covered clearing agency.” In addition, the SEC proposes to amend the definition of “sensitivity analysis” under Rule 17Ad-22 to expand the scope of covered clearing agencies subject to requirements thereunder. These amendments are proposed pursuant to Section 17A of the Securities Exchange Act of 1934 (Exchange Act) and the Payment, Clearing, and Settlement Supervision Act of 2010 (Clearing Supervision Act), enacted in Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

Sensitivity analysis

I have been a strong supporter of stress testing on financial positions as this process promotes sound risk management and helps mitigate systemic risk. I agree that it is important as an aid to understanding an entity’s financial position and risk profile to consider all of: the change in the measurement to changing individual judgments and/or assumptions

Please note that the comments expressed herein are solely my personal views

(sensitivity analysis); the change in the measurement to changing several judgments and/or assumptions at the same time, where the judgments and/or assumptions could reasonably be expected to change together (scenario analysis); and the dependencies assumed between the judgments and/or assumptions. However, I would also suggest that you should specifically refer to reverse stress testing in this proposed rule. This is a useful tool in order to manage expectations and to help the covered clearing agency to anticipate financial resources requirements in extreme conditions.¹

Yours faithfully

C.R.B.

Chris Barnard

¹ Please see my comment letter on your proposed rule: Standards for Covered Clearing Agencies, at 79 FR 16866, March 2014.