

**MINUTES OF THE NOVEMBER 6, 2023 MEETING OF THE
U.S. COMMODITY FUTURES TRADING COMMISSION'S
GLOBAL MARKETS ADVISORY COMMITTEE**

The Global Markets Advisory Committee (“GMAC”) convened for a public meeting on Monday, November 6, 2023, at 11:36 a.m., at the U.S. Commodity Futures Trading Commission, located at Three Lafayette Center, 1155 21st Street NW, Washington, DC. The GMAC considered four recommendations from the Global Markets Subcommittee. There were two presentations regarding the Basel III Endgame Proposal and ISDA’s recent paper, “Hidden in Plain Sight: Derivatives Exposures, Regulatory Transparency, and Trade Repositories.” The GMAC then considered four recommendations from the Technical Issues Subcommittee. The meeting concluded with an update from the Digital Assets Market Subcommittee.

GMAC Members in Attendance

Chris Allen, General Counsel for Banking and Markets, and General Counsel, HSBC Bank plc
Perianne Boring, Chief Executive Officer, Chamber of Digital Commerce

Darcy Bradbury, Vice-Chair, GMAC, and Managing Director and Head of Public Policy, D.E. Shaw & Co.

Nadine Chakar, Chief Executive Officer, Securrency, Inc.

Isaac Chang, Head of Central Execution, Global Fixed Income, Citadel

Chris Childs, Head of Repository and Derivatives Services, and CEO and President, DTCC
Deriv/SERV

Jason Chlipala, Chief Operating Officer, Stellar Development Foundation

Adam Farkas, Chief Executive Officer, GFMA, and Chief Executive Officer, AFME

Scott Fitzpatrick, Chief Executive Officer, TraditionSEF, Tradition Group

Gerard Corcoran, Chief Executive Officer and Chairman of the Board, R.J. O’Brien and
Associates

Amy Hong, Co-Chair, GMAC, and Head of Market Structure and Strategic Partnerships, Global
Banking and Market, Goldman Sachs

John H. Horkan, LSEG Post Trade and LCH Group Chief Operating Officer and LCH head of
Americas, LSEG

Angie Karna, Managing Director and Head of Legal for Global Markets, Americas, Nomura

Steven Kennedy, Global Head of Public Policy, ISDA

Agnes Koh, Chief Risk Officer, SGX Group

Mary-Catherine Lader, Chief Operating Officer, Uniswap Labs

Ben Macdonald, Global Head of Enterprise Products and President of Bloomberg SEF LLC,
Bloomberg LP

Jacqueline Mesa, Chief Operating Officer and Senior Vice President, Global Policy, FIA

Erik Tim Muller, Chief Executive Officer, Eurex Clearing AG, Eurex

John Murphy, Global Head of Future Division, Mizuho Americas, Commodity Markets Council

Joseph Nicosia, Global Trading Operations Officer and Head of Global Cotton Platform, Louis
Dreyfus

Dave Olsen, President and Chief Investment Officer, Jump Trading Group, FIA PTG

Tetsuo Otashiro, Senior Head of Global Policy and Regulation, JSCC

Christopher R. Perkins, President, CoinFund

Thomas Pluta, President, Tradeweb

Sachiyo Sakemi, Global Head of Legal for BlackRock Global Markets Group, BlackRock
Andrew Smith, Senior Vice President, Global Business Development and Market Structure
Jason Swankoski, Executive Director, Morgan Stanley
Brad Tully, Global Co-Head of Corporate Derivatives and Private Side Marketing, JP Morgan
Chase & Co.
Jason Vitale, Global Head of Foreign Exchange, Fixed Income and Equities, BNY Mellon
Stuart Williams, Chief Operating Officer, ICE
Julie Winkler, Chief Commercial Officer, CME Group
Vadim Zlotnikov, Head of Fidelity Institutional, Fidelity Investments
Chris Zuehlke, Partner and Global Head of Cumberland, DRW

CFTC Commissioners and Staff in Attendance

Caroline D. Pham, Commissioner and GMAC Sponsor
Summer K. Mersinger, Commissioner
Brigitte Weyls, Chief Counsel, Commissioner Caroline D. Pham, GMAC Designated Federal
Officer (“DFO”)

Invited Speakers in Attendance

Caroline Butler, Co-Chair, Digital Assets Market Subcommittee (“DAMS”), and CEO of
Digital Assets, BNY Mellon
Teo Floor, Chief Executive Officer, The Global Association of Central Counterparties
(Netherlands)
Sandy Kaul, Co-Chair, DAMS, Senior Vice President, Head of Digital and Industry Advisory
Services, Franklin Templeton
Laura Kimpel, General Manager of Fixed Income Clearing Corporation, Head of SIFMU
Business Development, DTCC
Tara Kruse, Co-Chair, Technical Issues Subcommittee (“TIS”), Global Head of Infrastructure,
Data, and Non-Clear Margin
Allison Lurton, Co-Chair, TIS, and General Counsel and Chief Legal Officer, FIA
Toks Oyebode, Managing Director, Regulatory Affairs, J.P, Morgan
Michael Winnike, Co-Chair, GMSS, and Director, Head of U.S. Market Structure, Global
Trading Group, BlackRock
Jeremy Wodakow, Chief Revenue Officer, Cypress Creek Renewables
Wendy Yun, Managing Director, Goldman Sachs Asset Management, SIFMA AMG

I. Opening Remarks

Ms. Weyls welcomed attendees, noted the quorum, and outlined the agenda. She stated that after each of the subcommittee presentations and recommendations there would be a vote.

Ms. Weyls then turned the meeting over to Ms. Hong, the GMAC Chair. Ms. Hong acknowledged Commissioner Pham, the Sponsor, and stated that all were looking forward to the eight important subcommittee recommendations on significant market issues.

Commissioner Pham welcomed all and thanked Ms. Hong, Ms. Bradbury, and Ms. Weyls in particular. She emphasized that the recommendations address some of the most

significant challenges facing the global markets. She stated that the agenda for the meeting was packed with critical recommendations from the Global Market Structure Subcommittee and the Technical Issues Subcommittee, followed by an update from the Digital Assets Markets Subcommittee. The meeting concluded with two presentations. The first presentation addressed the Basel III Endgame Proposal and its impact on the derivatives markets. The second presentation discussed ISDA's recent paper "Hidden in Plain Sight: Derivatives Exposures, Regulatory Transparency, and Trade Repositories," regarding transparency and their ability to effectively monitor risk exposure that counterparties face from derivatives activity.

Ms. Hong thanked Commissioner Pham and then introduced Commissioner Mersinger. Commissioner Mersinger thanked all for attending, and in particular Ms. Weyls.

II. Recommendations from GMAC's Global Market Structure Subcommittee

Mr. Tully expressed gratitude and introduced the Global Market Structure Subcommittee's four recommendations.

Mr. Winnike then discussed the first recommendation on new block sizes and cap sizes, emphasizing concerns about the impact of larger block sizes on end users and proposing an extension of the compliance date. Ms. Yun further explained the concerns, including anomalies in data, and suggested engaging in discussion with industry to analyze and tailor the increased sizes. The floor was opened for questions. A comment from Mr. Childs suggested alignment with the MRAC's opinions and consideration of implementation timelines for SDRs.

Ms. Klimpel discussed the second recommendation, which focuses on end user cross-margining with proposed terms sheets for expanding the FICC CME cross-margining arrangement to cover customer positions. The proposed structure aims to make cross-margining benefits available to a broad range of customers and to minimize credit exposure. The presentation concluded with plans for regulatory engagement to advance the proposal.

Ms. Klimpel discussed the third recommendation, which proposes authorizing a central counterparty that meets the definition of a "covered clearing agency" under SEC rules to be a permitted repo counterparty under CFTC Rule 1.25(d)(2). Currently, clearing agencies are not permitted counterparties for this purpose. The proposal suggests permitting clearing agencies to face FCMs or DCOs on a repo investment of customer margin. The proposal would provide FCMs and DCOs access to a larger liquidity pool during a stress situation and decrease settlement and operational risk by making a greater number of transactions eligible to be netted and subject to guaranteed settlement, novation, and independent risk management through a central counterparty.

Ms. Mesa focused on the fourth recommendation, briefly outlining the FIA's published best practices for Exchange Volatility Controls, and then outlined what she was asking the GMAC to endorse. She asked the GMAC to recommend that the Commission use best practices as a tool for understanding exchange market risk controls and when engaging with global regulators and international standard setters. The best practices aim to mitigate the impacts of extreme volatility, thereby ensuring market integrity and investor confidence. The subcommittee

recommended that the GMAC adopt three controls. First, it recommended a price ban on orders, which usually prevents erroneous orders from entering the market and resulting in trades at aberrant prices. Second, it recommended a daily price limit, which represent the maximum price range permitted for each contract during a proscribed time interval. Third, it recommended mechanisms to interrupt continuous trading such as market pauses and other limits.

Ms. Hong expressed gratitude to the GMAC for its recommendations and opened the floor to GMAC members for questions and discussion. The GMAC members discussed: (1) new block and cap size recommendations, (2) end user cross margining across FICC and CME recommendations, (3) the proposal by FICC to add CCPS as permitted repo counterparties, and (4) the volatility endorsement of the FIA paper and executive summary.

Ms. Hong then opened the floor for a motion to vote on the subcommittee recommendations and to submit them to the Commission. The motion was adopted. Ms. Weyls conducted a vote by roll-call with a simple majority needed to approve each recommendation. For block and capsize recommendations, there were six votes to abstain and thirty votes in favor. For end-user cross margining across FICC and CME recommendations, there were six votes to abstain and thirty votes in favor. For the proposal by FICC to add CCPS as permitted repo counterparties, there were two votes to abstain and thirty-four in favor. For the volatility endorsement of the FIA paper, there were three votes to abstain and thirty-three votes in favor. A simple majority was achieved on all of the recommendations and they were adopted for submission to be considered by the Commission.

III. Basel III Endgame Proposal: Impact to Derivatives Markets

Ms. Hong then introduced the panelists who would discuss the Basel III Endgame Proposal. Ms. Galletta explained the history and background of the Basel III rules that led to the current proposal. She discussed the changes in capital requirements and their potential impact on banks, focusing on U.S. regulations and their alignment with the Basel Committee's framework. Ms. Galletta then delved into the details of the Basel III Endgame Proposal. She explained the current capital framework and how the proposed rules would significantly increase capital requirements, particularly in market-risk/credit-risk valuation, and operational risk. She also raised concerns about meeting the timeline proposed for finalizing the rules and emphasized that the rules would increase the cost associated with trading in the derivatives market.

Ms. Mesa emphasized the significance of the capital rules and their relevance to the CFTC. She discussed the decline in registered futures commissions merchants ("FCMs") over the past two decades and the increasing concentration in the OTC clearing market. She highlighted the potential consequences of the Basel III Endgame Proposal in capital requirements for banks engaging in clearing activities that could make hedging more expensive and potentially discourage it. Overall, she expressed concern about the proposed changes, stating that they may lead to a reduction in the availability of liquidity for end users.

Mr. Oyebode also outlined concerns with the Basel III Endgame Proposal. He discussed global systematically important banks, operational risks, and credit valuation adjustment changes, and the treatment of investment grade corporates. Overall, he expressed concern about

the potential reductions in liquidity and increased prices for end users due to the proposed changes.

Mr. Wodakow discussed the impact of the Basel III Endgame Proposal on renewable energy projects. He emphasized the challenges that renewal energy projects face, particularly in light of permitting delays, interconnection issues, and increased costs. He discussed the potential negative impact of proposed rules on capital standards, citing increased costs for banks providing hedging services and funding for renewable projects. He also discussed the importance of hedging, tax equity investments, and potential consequences of the proposed regulatory changes on the renewable energy sector.

Mr. Kennedy addressed concerns about hidden leverage in derivatives markets amid recent market turbulence. He outlined three channels for hidden leverage: firms outside the regulatory perimeter, firms inside the perimeter without appropriate risk information disclosure, and regulators lacking understanding to effectively use available information. He emphasized the need for data curation and analytics to enhance the functionality of the available data.

IV. Recommendations from GMAC's Technical Issues Subcommittee

Ms. Bradbury introduced the speakers who would discuss the four recommendations of the GMAC's Technical Issues Subcommittee. Ms. Lurton began by thanking the subcommittee for its work and Commissioner Pham for her sponsorship.

Mr. Floor discussed the first recommendation: a global default simulation or fire drill for central counterparties to test operational capacity during potential defaults. He also suggested encouraging default simulations in emerging markets with support from the CFTC. No questions or comments were raised on this recommendation.

Ms. Kruse discussed the second recommendation, which would allow money market funds to be used as eligible collateral. She commended the CFTC's proposed rule amendment to eliminate asset transfer restrictions, which would enhance cross-border use of money market funds. She encouraged other regulatory agencies to do the same and recommended finalizing the amendment. No questions or comments were raised on this recommendation.

Ms. Kruse presented the third recommendation on improved trade reporting for market oversight — a streamlined potential 40% increase in CFTC reportable data elements. The recommendation focuses on streamlining reportable data elements and Ms. Kruse expressed concerns about adding over 50 additional fields. She recommended reconsidering this notice of proposed rulemaking or limiting additional data elements, particularly CFTC-specific ones. She suggested expanding analytical tools for the existing data and focusing on resolving impediments to data-sharing globally. No questions or comments were raised on this recommendation.

Mr. Childs presented the fourth recommendation on improved trade reporting or market oversight, emphasizing improved data-sharing and systemic risk analysis. The proposal suggests working with regulators to create bilateral agreements for data-sharing, proposing a subset of critical data elements (CDE) for amalgamation, and discussing long-term plans for addressing

data-sharing issues with organizations like IOSCO. No questions or comments were raised on this recommendation.

Ms. Kruse thanked all for the opportunity to present these recommendations. Ms. Bradbury invited a motion to move all four recommendation for consideration and voting. This motion was adopted. The recommendations were then voted on by roll-call with a simple majority needed to approve each recommendation. For the global default simulation proposal, there was one vote to abstain and thirty-five votes in favor. For the recommendations regarding money market funds as eligible collateral, there were three votes to abstain and thirty-three votes in favor. For the recommendation to improve trade reporting for market oversight and streamlining, there were two votes to abstain and thirty-four votes in favor. Finally, for the recommendation to improve trade data sharing and systemic risk analysis for the trades reported, there were three votes to abstain and thirty-three votes in favor. A simple majority was achieved on all of the recommendations and they were adopted for submission to be considered by the Commission.

V. Update of the GMAC Digital Assets Subcommittee

Ms. Hong introduced the next set of speakers, who provided an update on the work of the GMAC Digital Assets Subcommittee. Ms. Butler provided an overview of the subcommittee's progress, mentioning the formation of a working group with 36 engaged members across various sectors. The subcommittee is focused on five workstreams related to tokenization, governance, and risk control frameworks. Ms. Butler emphasized the guiding principles, which include rethinking financial markets and optimizing infrastructure use.

Ms. Kaul detailed the near-term goals for each workstream, emphasizing the iterative nature of deliverables. Workstreams include taxonomy, pre-trade and post-trade requirements, governance, risk, and control framework, NFTs, utility tokens, and digital asset infrastructure. The team aims to provide clarity on definitions, enhance governance frameworks, and address regulatory challenges associated with new asset types.

Ms. Butler and Ms. Kaul welcomed questions, and there being none, concluded their presentation.

VI. Closing Remarks

In closing, Ms. Hong expressed gratitude to GMAC subcommittee members for their efforts and insights.

Commissioner Pham commended the productive and efficient meeting, highlighting the breadth of members representing various market sectors. She emphasized the significance of the recommendations in enhancing market strength, resilience, and functionality.

Ms. Weyls adjourned the meeting at 11:36 a.m.

Amy Hong

Amy Hong
Chair, GMAC

April 29, 2024

Date