

**MINUTES OF THE MARCH 6, 2024 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 Wednesday, March 6, 2024, at 10:10 a.m., at the U.S. Commodity Futures Trading Commission, located at Three Lafayette Center, 1155 21st Street N.W., Washington, D.C. The meeting consisted of several panels. Panel I provided the Global Market Structure Subcommittee update and recommendation on U.S. Treasury ETFs as eligible initial margin under uncleared margin rules. Panel II provided the Technical Issues Subcommittee recommendation on the publication of the transition to T + 1 securities settlement resources. Panel III discussed perspectives from derivatives market participants on the Basel III Endgame Proposal. Panel IV provided the Digital Asset Markets Subcommittee recommendation on the publication of digital asset taxonomy. The meeting concluded with updates from the Subcommittees on future agenda items.

GMAC Members in Attendance

Chris Allen, General Counsel for Banking and Markets, and General Counsel, HSBC Bank plc
Bill Bolton, Chief Financial Officer, Refining, Products, and Low Carbon Americas Trading and Shipping, bp

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.

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

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

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

Scott Fitzpatrick, Chief Executive Officer, TraditionSEF, Tradition Group

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

Kevin Kennedy, Executive Vice President, North American Markets, Nasdaq

Steven Kennedy, Global Head of Public Policy, ISDA

Derek Kleinbauer, President, Bloomberg SEF, Bloomberg LP

Agnes Koh, Chief Risk Officer, SGX Group

Mary-Catherine Lader, Chief Operating Officer, Uniswap Labs

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

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
Thomas Sexton, President and Chief Executive Officer, NFA
Andrew Smith, Senior Vice President, Global Business Development and Market Structure,
Virtu Financial
Jason Swankoski, Executive Director, Morgan Stanley
Brad Tully, Global Co-Head of Corporate Derivatives and Private Side Marketing, JP Morgan
Chase & Co.
Thane Twigs, Chief Compliance Officer, Cargill Risk Management, Cargill
Jason Vitale, Global Head of Foreign Exchange, Fixed Income and Equities, BNY Mellon
Julie Winkler, Chief Commercial Officer, CME Group
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
Christy Goldsmith-Romero, Commissioner
Harry Jung, Counselor and Senior Policy Advisor, Commissioner Caroline D. Pham, GMAC
Designated Federal Officer (“DFO”)
Nicholas Elliot, Confidential Assistant and Policy Advisor, Commissioner Caroline D. Pham,
GMAC Alternate Designated Federal Officer

Invited Speakers and other Attendees

Charles DeSimone, Managing Director, SIFMA
Caroline Butler, Co-Chair, Digital Assets Market Subcommittee (“DAMS”), and CEO of
Digital Assets, BNY Mellon
Dan Gallagher, Director, Commodity, Sales and Trading, Basin Electric Power Cooperative, on
behalf of the National Association of Rural Electric Cooperatives
Reggie Griffith, Global Chief Compliance Officer, Louis Dreyfus Co.
Joseph Hwang, Managing Director, Goldman Sachs, on behalf of FIA and ISDA
Sandy Kaul, Co-Chair, DAMS, Senior Vice President, Head of Digital and Industry Advisory
Services, Franklin Templeton
Elisabeth Kirby, Head of Market Structure, Tradeweb
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
Steve Marino, Senior Director, Senior Managing Counsel, BNY Mellon
Ninad Nirgudka, Consultant, Boston Consulting Group
John Schindler, Secretary General, Financial Stability Board
Thane Twigg, Chief Compliance Officer, Cargill Risk Management, Cargill
Michael Winnike, Co-Chair, GMSS, and Director, Head of U.S. Market Structure, Global
Trading Group, BlackRock
Wendy Yun, Managing Director, Goldman Sachs Asset Management, SIFMA AMG
Diana Barrero Zalles, Head of Research and Sustainability, Global Blockchain Business Council

I. Opening Remarks

Mr. Jung welcomed the attendees, noted the quorum, and outlined the agenda. He stated that after each of the Subcommittee presentations and recommendations there would be a vote.

Mr. Jung then turned the meeting over to Commissioner Pham, the GMAC Sponsor. She welcomed all and thanked her team for putting together the meeting, and thanked the members of the Committee for their dedication to addressing global market challenges. She then discussed the CFTC's fiftieth anniversary and the agency's importance in stewarding markets. She highlighted the GMAC's achievements, including its recommendation aiming to enhance market liquidity and efficiency, improve market functioning, and provide regulatory clarity, particularly regarding digital assets. Finally, she highlighted the agenda for the meeting.

Mr. Jung then turned to Commissioner Goldsmith-Romero for her remarks. She welcomed all and particularly acknowledged Commission Pham's leadership and the efforts of the Commission's staff. She stressed the importance of resilient markets in managing global shocks such as the pandemic and geopolitical conflicts, highlighting the need for measures to ensure market stability and prevent artificial price increases. She advocated for planning for unexpected market stresses and building resilience through measures like ensuring liquidity, market stability, and fair commodity prices. She also highlighted the Commission's proposed operational resilience rule and the importance of surveillance to prevent market manipulation and ensure fair prices for consumers.

Finally, Mr. Jung introduced Commissioner Mersinger's pre-recorded remarks. She expressed gratitude to the members of the GMAC for their hard work and recommendations. She also highlighted the agenda for the meeting. She specifically thanked Commissioner Pham for her sponsorship, and Messrs. Jung and Elliot, and the CFTC staff in facilitating the meeting.

Ms. Hong, the GMAC chair, provided welcoming remarks on behalf of herself and Ms. Bradbury, the GMAC co-chair. She welcomed all and introduced the Mr. Schindler for his keynote address.

II. Keynote Address: Financial Stability Board (FSB) Work Program for 2024 and Priorities

Mr. Schindler expressed gratitude for the opportunity to speak and said he would clarify the role and purpose of the FSB, emphasizing its focus on coordinating international financial authorities and addressing vulnerabilities affecting global financial stability.

Mr. Schindler then discussed the composition of the FSB's membership and its functions, including identifying systemic risks, developing policies to mitigate those risks, and monitoring policy implementation. He highlighted both current and long-term risks such as tightening market conditions, credit growth, and pressure in sectors like commercial real estate.

Mr. Schindler also discussed the FSB's work program, focusing on non-bank financial intermediation, financial risks from climate change, crypto assets, and cross-border payments. With regards to the regulation of crypto assets and cross-border payments he discussed: (1) the need for minimum international standards and implementation of these standards; (2) the need for ongoing discussion and adaptation to adjust to the rapidly changing crypto landscape; (3) the need for improvement in tracking cross-border payments to improve inefficiencies, high costs, limited access, and transparency issues; and (4) the need to improve the lives of the poorest by saving costs by making cross-border payments efficient. He concluded by mentioning some of the FSB's other work and priorities.

Ms. Hong then opened the floor for questions and comments from the GMAC membership. Generally, the concerns and discussions raised in this session included: regulatory consideration for non-bank financial institutions and the challenges based in implementing standards due to jurisdictional differences; the balance between activities-based regulation and regulating individual market participants; the implications of liquidity preparedness for margin and collateral calls; and the need for coordinated efforts to address global and financial stability issues.

III. Global Market Structure Subcommittee Recommendation and Update

Ms. Bradbury introduced the next panel discussing the Global Market Structure Subcommittee update and recommendation regarding U.S. Treasury ETFs being treated as eligible initial margin under uncleared margin rules. Mr. Winnike discussed the importance of clarifying the eligibility of fixed income ETFs, particularly U.S. Treasury ETFs, under the current regulatory framework. He presented that these ETFs meet the criteria outlined by IOSCO and the CFTC for eligible collateral. Mr. Winnike also commented that U.S. Treasury ETFs also meet key principles and goals of these regulations, providing benefits such as diversification, liquidity, and operational efficiency for market participants. He presented examples of ETF performance during financial stress to support the recommendation. Finally, he emphasized the importance of aligning regulation with market evolution and innovation.

Ms. Bradbury then opened the floor for questions and comments from the GMAC membership. Generally, the concerns and discussions raised in this session included: the treatment of Treasury ETFs within the collateral framework for non-cleared derivatives margin, the definition of Treasury ETFs and the specifics of their underlying assets, and the discretion market participants have in determining acceptable collateral and corresponding haircuts within the regulatory framework.

Ms. Bradbury then opened the floor for a motion to vote on the Subcommittee recommendation and to submit the recommendation to the Commission for consideration. Mr. Jung conducted a vote by show of hand with a simple majority needed to approve the recommendation. There was zero no votes, one abstention, and twenty-eight votes in favor. A simple majority was achieved and the recommendation was adopted for submission to and consideration by the Commission.

Ms. Yun then provided an update on the recommendation made at the previous GMAC meeting regarding swap blocks and cap sizes. She emphasized the importance of properly-calibrated block and cap sizes for the functioning of the U.S. derivatives markets, which the Subcommittee has been actively working to gather data on. The Subcommittee requested the opportunity to engage with CFTC staff to discuss its findings, methodology, and the potential impact on liquidity, especially considering other factors such as increased capital requirements under Basel III. Ms. Bradbury acknowledged the Subcommittee's concerns and expressed openness to discuss further with CFTC staff.

[Break]

IV. Technical Issues Subcommittee Recommendation

Ms. Hong introduced the next panel, which discussed the Technical Issues Subcommittee's recommendation on the publication of a T + 1 resources document. Ms. Lurton and Mr. DeSimone presented the recommendation, highlighting its purpose to provide comprehensive information on the transition to T + 1 settlement. They emphasized the document's role in helping market participants understand the scope of the transition, its international implications, and its impacts on various products and processes. The guide also covers cross-border impacts, including FX markets implications and foreign-listed securities in the U.S. Additionally, resources for further preparation, such as industry playbooks and testing frameworks, are provided.

Ms. Hong then opened the floor for questions and comments from the GMAC membership. Generally, the concerns and discussions raised in this session included: the significance of the industry transition to T + 1 and the possibility that progressing from T + 1 to T+ 0 may not be feasible due to infrastructure and process limitations.

Ms. Hong then opened the floor for a motion to vote on the Subcommittee recommendation and to submit the recommendation to the Commission for consideration. Mr. Jung conducted a vote by show of hand with a simple majority needed to approve the recommendation. There were zero no votes, two abstentions and thirty-one votes in favor. A simple majority was achieved and the recommendation was adopted for submission to and consideration by the Commission.

[Break]

V. Panel: Basel III Endgame Proposal—Perspectives from Derivatives Market Participants

Ms. Bradbury reconvened the meeting to discuss the impacts of Basel III on the derivatives markets. Mr. Hwang highlighted the proposed rules from the Federal Reserve, FDIC, and OCC that would increase capital requirements for banks engaging in derivatives markets, which potentially could lead to higher costs and reduced market capacity. Ms. Kirby expressed concerns about the negative impact of increased capital requirements on market liquidity and urged policymakers to consider global market implications. Mr. Gallagher emphasized the

potential detrimental effects of increased capital charges on publicly-traded entities like electric cooperatives. Finally, Mr. Griffith discussed the impact on commodity merchants and agricultural markets, warning of potential disruptions to risk management practices and market liquidity. Overall, the panel emphasized the need for careful consideration of the unintended consequences of Basel III regulation on various sectors and urged regulatory bodies to ensure a balanced approach to safeguarding financial stability without stifling market function.

Ms. Bradbury then opened the floor for questions and comments from the GMAC membership. Generally, the concerns and discussions raised in this session included: the impact of Basel capital regulations on FCMs and the potential shift towards direct clearing models; concerns about the reduction of FCMs over the years and whether direct clearing could replace them; the stability of the clearing ecosystem; the challenges faced by small FCMs and the potential risks of market destabilization if large FCMs exit; and suggestions for further regulatory engagement.

VI. Digital Asset Market Subcommittee Recommendation

Ms. Hong introduced the next panel discussing the Digital Asset Markets Subcommittee's adoption of the digital assets taxonomy recommendation. Ms. Butler expressed gratitude for the collaborative effort in developing the taxonomy, highlighting its significance as a foundational tool for future regulatory considerations.

Mr. Farkas elaborated on the definition of digital assets and key considerations in their classification, emphasizing the importance of not classifying assets by network type. He stated that the definition of digital asset used for this taxonomy is a controllable electronic record where one or more parties can exclusively exercise control through transfer of the record and where the controllable record itself is uniquely identifiable.

Ms. Zalles provided an overview of the features of digital assets and walked through the categories of the framework, emphasizing consensus-driven categorization and its value in evaluating regulatory status and potential action items. Some of the features used for classification include issuance, value holding, rights conferred, fungibility, redemption, and record-keeping method.

Ms. Hong then opened the floor for questions and comments from the GMAC membership. Generally, the concerns and discussions raised in this session included: a discussion of the perimeter drawn around digital assets; the importance of uniqueness and transferability in defining digital assets and differentiating them from mere book entries; the need for an evolving taxonomy; and a discussion regarding various categories such as financial digital assets, alternative digital assets, crypto assets, functional digital assets, and settlement tokens.

Ms. Hong then opened the floor for a motion to vote on the Subcommittee recommendation and to submit the recommendation to the Commission for consideration. Mr. Jung conducted a vote by show of hand with a simple majority needed to approve the

recommendation. There were zero no votes, six abstentions and twenty-two votes in favor. A simple majority was achieved and the recommendation was adopted for submission to and consideration by the Commission.

VII. Updates from Subcommittees on Future Agenda Items


Ms. Bradbury then asked the leadership of the Subcommittees to comment on topics that their committees are working on that may be ready for discussion at the next meeting. Ms. Kaul, from the Digital Assets Subcommittee, outlined its focus on different workstreams, including non-fungible tokens, utility lifecycle, and how new technologies might impact financial market infrastructure. Mr. Winnike, from the Market Structure Subcommittee, mentioned the Subcommittee’s work on the Basel III Endgame/G-SIB surcharge recommendation and its exploring of areas like eligible collateral corporate bond ETFs and tokenization assets. Mr. Kirby, from the Technical Issues Subcommittee, discussed the committee’s work on inconsistencies in global identifiers and data standards and improving trade reporting and post-trade processes.

VIII. Closing Remarks

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

Commissioner Pham commended the productive meeting, highlighting how the GMAC’s work is having a real impact on policy and developing pragmatic solutions to the most significant issues in global markets. She also emphasized the significance of the recommendations in enhancing the CFTC’s work.

Mr. Jung adjourned the meeting at 3:00 p.m.



Amy Hong
Chair, GMAC

June 19, 2024

Date