

CFTC Market Risk Advisory Committee
Report of the CCP Risk and Governance Subcommittee
Alicia Crighton, Subcommittee Co-Chairman, Chief Operating Officer, Prime
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Introduction

Good morning and thank you to Commissioner Benham, Alicia Lewis, Nadia Zakir and the rest of the MRAC for allowing us to present today on the formation and initial meeting of the MRAC Subcommittee on CCP Risk and Governance.

The MRAC established the CCP Risk and Governance Subcommittee to provide reports and recommendations directly to the MRAC regarding current issues impacting clearinghouse risk management and governance. It is an honor and a pleasure to be appointed as co-chairs of the Subcommittee. By way of introduction we are: Lee Betsill, Managing Director and Chief Risk Officer, CME Group, and Alicia Crighton, Global Head of Clearing, Goldman Sachs (representing the Futures Industry Association).

We would also like to thank MRAC members who have volunteered to serve on the Subcommittee. They are:

- Richard Berner - Clinical Professor of Management Practice in Finance and Co-Director of the Stern Volatility and Risk Institute, NYU Stern School of Business
- Matthias Graulich - Member of the Executive Board and Chief Strategy Officer, Eurex Clearing AG,
- Lindsay Hopkins - Clearing House Counsel, Minneapolis Grain Exchange
- Vincent B. Johnson - Head of Commercial Advocacy & Regulatory Affairs, BP Integrated Supply and Trading
- Demetri Karousos - Chief Risk Officer, Nodal Clear, LLC, and Managing Director, Market Administration and Surveillance, Nodal Exchange, LLC
- Kevin McClear - Corporate Risk Officer, Intercontinental Exchange, Inc.
- Dennis McLaughlin - Group Chief Risk Officer, LCH Group
- Dale Michaels - Executive Vice President, Financial Risk Management, The Options Clearing Corporation
- John Murphy - Managing Director and Global Head of the Futures Division, Mizuho Americas, Commodity Markets Council
- Marnie Rosenberg - Managing Director and Global Head of Clearinghouse Risk & Strategy, JP Morgan
- Dr. Marcus Stanley - Policy Director, Americans for Financial Reform
- Robert Steigerwald - Senior Policy Advisor, Financial Markets, Federal Reserve Bank of Chicago
- Kristen Walters - Global Chief Operating Officer of Risk and Quantitative Analysis Group, BlackRock
- Suzy White - Chief Risk Officer, Global Banking & Markets and Commercial Banking, Americas, HSBC
- Rana Yared - Managing Director, Merchant Banking Division, Goldman Sachs

CCP Risk & Governance Subcommittee

The Subcommittee is pleased to begin its work on providing actionable recommendations and detailed best practices to the MRAC in order to enhance and advance the safety and soundness of the cleared derivatives markets.

An initial meeting of the Subcommittee was held on Tuesday November 26th, where we discussed the mandate for the committee, potential areas of focus as well as White Papers and industry materials that we could draw on for discussion which include but are not limited to:

- April 2017 MRAC CCP Risk Management Subcommittee Final Recommendations
- November 2018 FIA's Central Clearing Recommendations for CCP Risk Management
- October 2019 A Path Forward for CCP Resilience, Recovery and Resolution
- December 2019 Stress Testing Networks: The Case of Central Counterparties by Berner, Cecchetti and Schoenholtz

To advance the discussions, the Subcommittee has agreed to form two working groups focused on the initial list of agreed upon topics:

Resilience working group:

- Margin
- Stress testing
- Liquidity Framework
- Principles of Default Management

Governance and Capital working group:

- Governance & transparency, including cross-border regulatory issues
- CCP capital and default resources
- Non-default losses

Currently, we are polling the Subcommittee members to confirm their participation in either one or both working groups and will be communicating the meeting framework and scheduling the initial meetings for January.

The Subcommittee will provide a status update at the June 2020 MRAC meeting with the actionable recommendations and other findings to be made available to the MRAC for the December 2020 meeting.

It is important to note that while the Subcommittee has agreed upon a series of issues to review and provide recommendations on, it is possible that recommendations may not be agreed on by the Subcommittee and therefore a summary of the issues and status of the discussion will be provided to the MRAC for review.

We welcome your questions and your feedback on the discussed areas of focus as well as at any time during the work of this Subcommittee.