



March 8, 2023 Market Risk Advisory Committee Meeting



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Welcome



Section One – Cybersecurity and CCP Risk and Governance
*Opening remarks from Matthew Cronin and Caitlin Clarke,
Office of the National Cyber Director*



CCP Risk and Governance – Panel One – Leadership Perspectives



CCP Risk and Governance – Panel Two – Regulatory Perspectives



CCP Risk and Governance – Panel Three – CCP Risk and Governance Subcommittee



CCP Risk and Governance
MRAC Member Open Discussion



Section Two – The Future of Finance

Opening Remarks from Chris Hayward, City of London Corporation



**Future of Finance – Panel One – Developing a Regulatory Framework for
Digital Assets – *Critical Policy Considerations***



Future of Finance – Panel Two – Moving Beyond Common Use Cases: DeFi, Digital Identity, Interoperability and More on Distributed Digital Ledger and Blockchain Technology –*Emerging Uses and Market-Tech Trends*

DISCLAIMER

The following analyses and views are those of the presenters and do not necessarily reflect the views of the Commission, its Commissioners or CFTC staff.



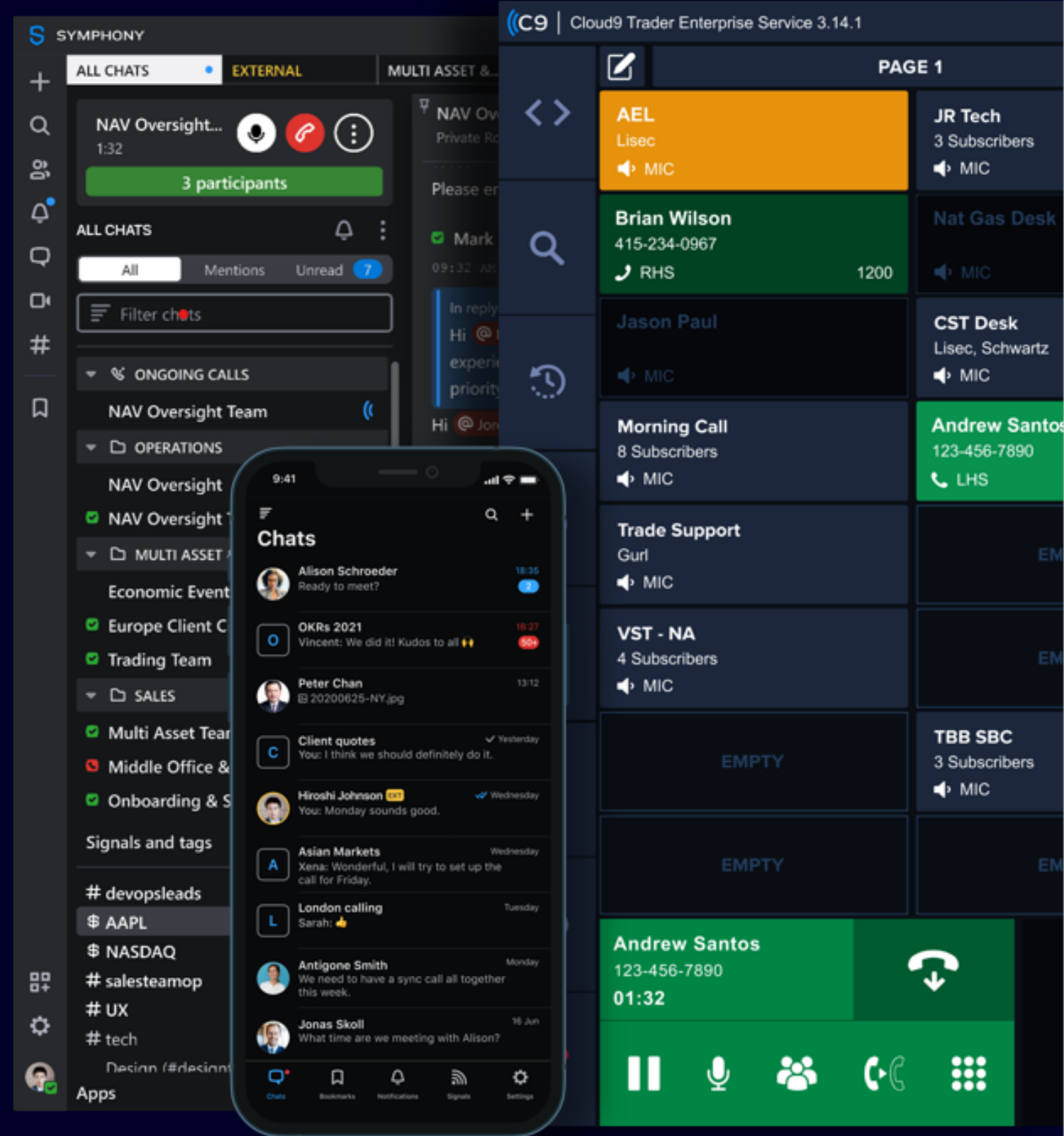
CFTC

Market Risk Advisory Committee

Interoperability for Financial Markets

Brad Levy, Symphony CEO

March 8th, 2023



What is Interoperability?

...and why should the industry care?

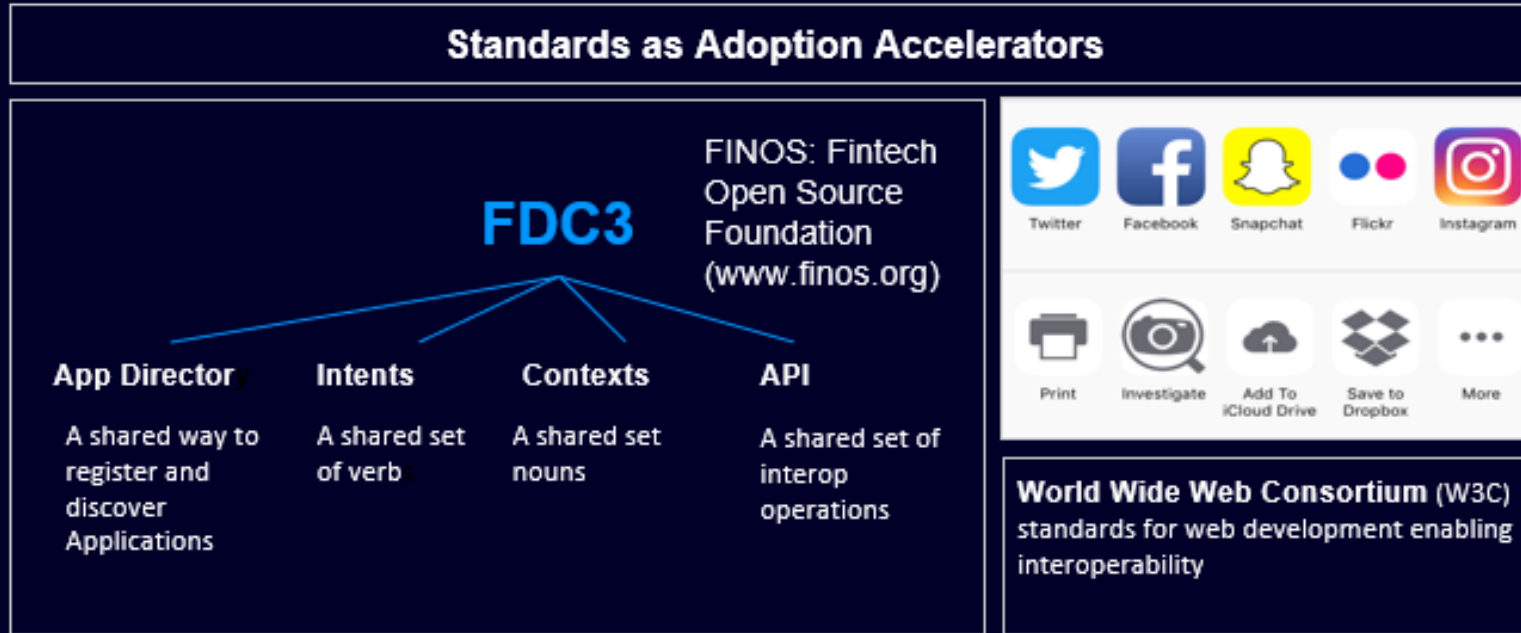
Interoperability: the ability of multiple systems and software applications to exchange and make use of information seamlessly

Choice <-> Modular <-> Integrated

Areas of Enablement

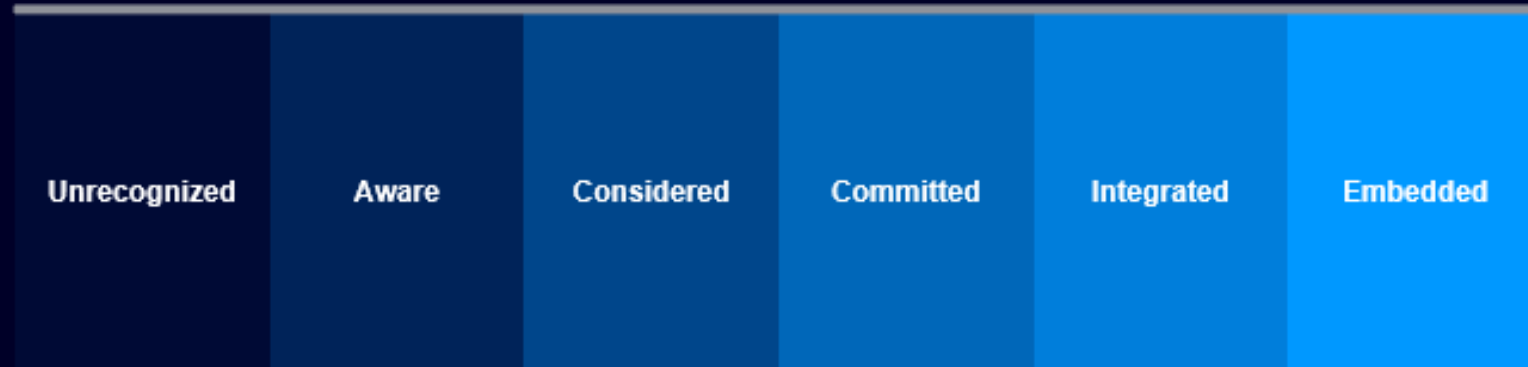
- Cloud | Platform Tech | Mobile
- Identity Management | Entitlements
- Embeddable | Extensible

What is Interoperability for Market Infrastructure?



Financial Market Adoption

Interoperability Maturity



Environment

App Management

Interop Maturity

Tier 1 Sell-Side	Central Launcher Architecture	Integrated/Committed
Tier 2 Sell-Side	Hybrid	Considered
Buy-side	Vendor Apps	Aware

FsIDaaS: Financial Services Identity as-a Service platform

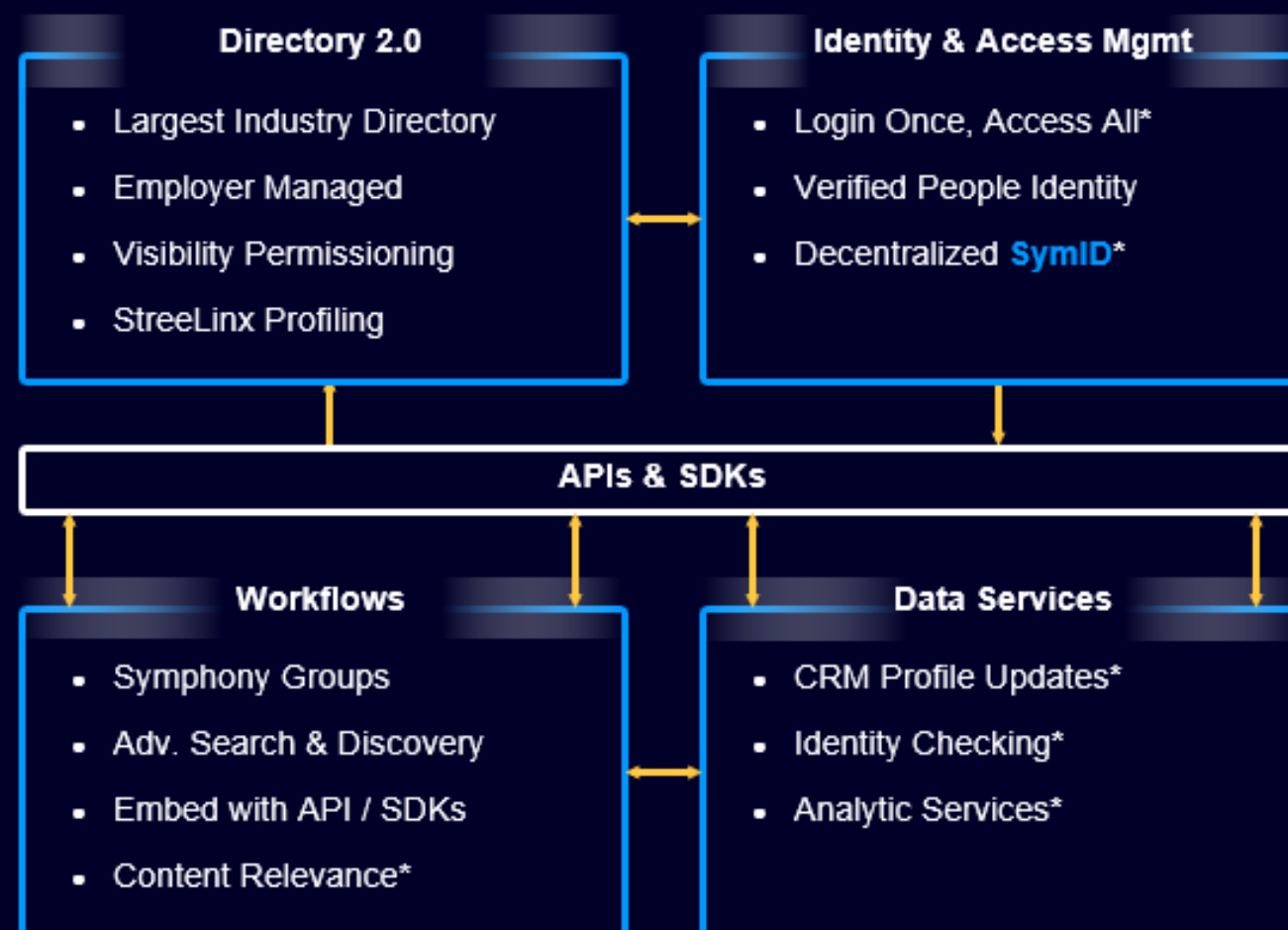
Identity management is costly, complex, and insecure:

- **Disconnected identity stores** (Portals, CRMs, etc.)
- **Authentication friction** reduces engagement
- **Security breaches** from unauthorised use
- **Lack of industry-wide contact directory**
- **Increasing regulatory requirements**

For users, workflow is broken and cumbersome for end-users due to:

- **Password fatigue**
- **Overlooked data sources**
- **Arduous people discovery**

FsIDaaS delivers services that drive modern & distributed cross-industry workflows



Use Cases on the Stellar Network

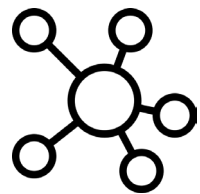
Market Risk Advisory Committee, U.S. Commodity Futures Trading Commission.
March 8, 2023

Stellar Aid Assist

Stellar Aid Assist is a **first-of-its-kind aid disbursement system** powered by the Stellar blockchain network — supported by Circle’s USDC, Vibrant wallet, and MoneyGram International — that **enables the delivery of urgently-needed assistance** to vulnerable and displaced populations quickly and transparently.



Digital dollars issued by Circle on Stellar network



Digital dollars distributed to approved recipients on Stellar



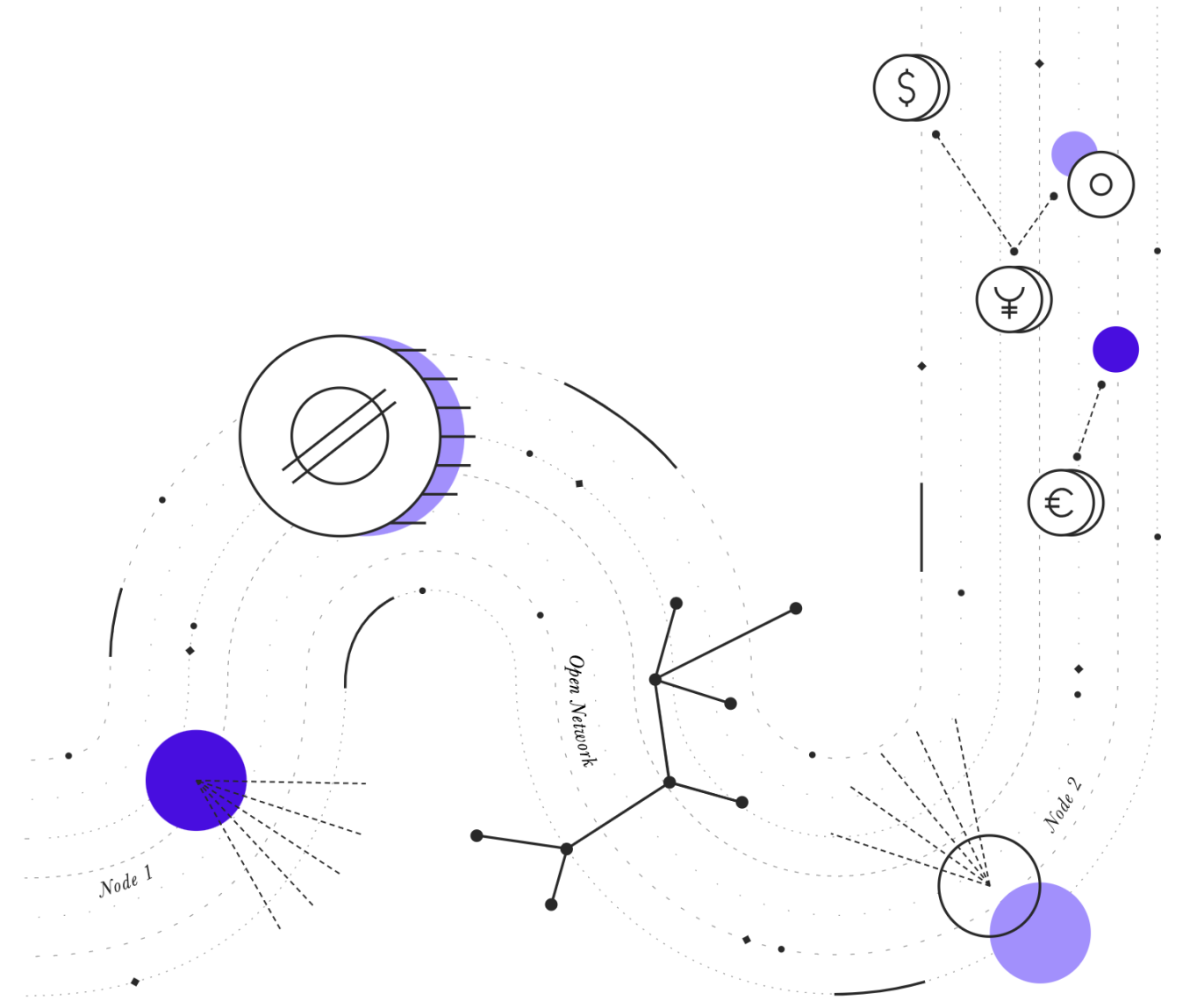
Aid recipients receive funds instantly in digital wallets



Withdraw cash at any MoneyGram location when needed or send to bank account

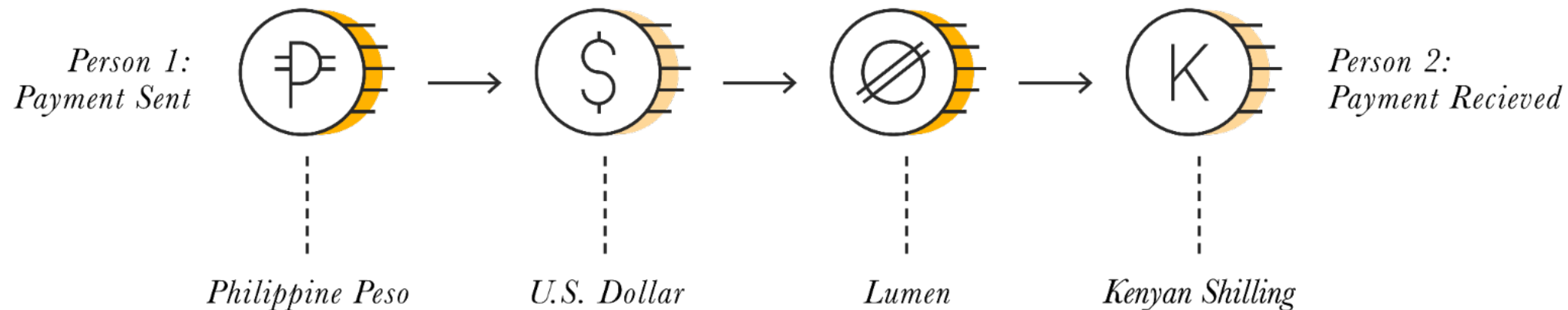
BitWage

Bitwage, a **crypto payroll provider built on Stellar**, is creating a way for professionals to receive income payments using blockchain technology. Bitwage allows for **simple, fast, and low-cost payroll option** for international workforces, and for remote workers to receive **any percentage of their salaries in digital dollars or USDC.**



Arf

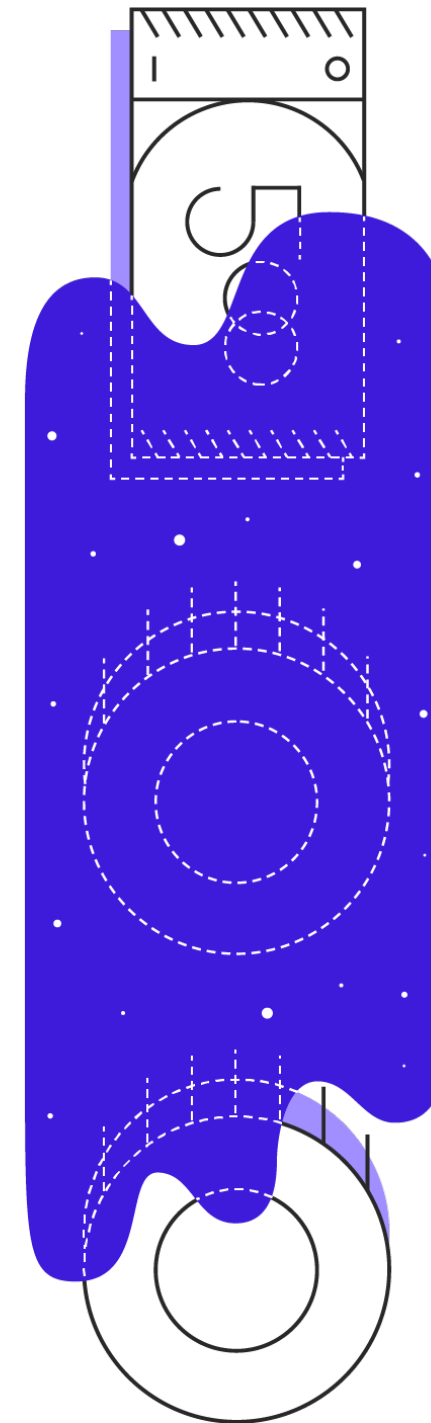
Arf, a [global settlement platform built on the Stellar blockchain](#), leverages stablecoins to allow money service businesses (MSBs) and international money transfer operators (IMTOs) to make settlements instantly between bank accounts, e-wallets, and cash pickup points. Arf enables MSBs to build API-based cross-border financial operations and treasury management.



Tala

Tala offers traditionally unbanked communities access to financial services in Kenya, Mexico, India, and the Philippines.

Tala currently operates on traditional rails and is in the process of expanding their offerings onto the Stellar blockchain using stablecoins to help customers with borrowing, spending, saving, investing, sending, and receiving money.

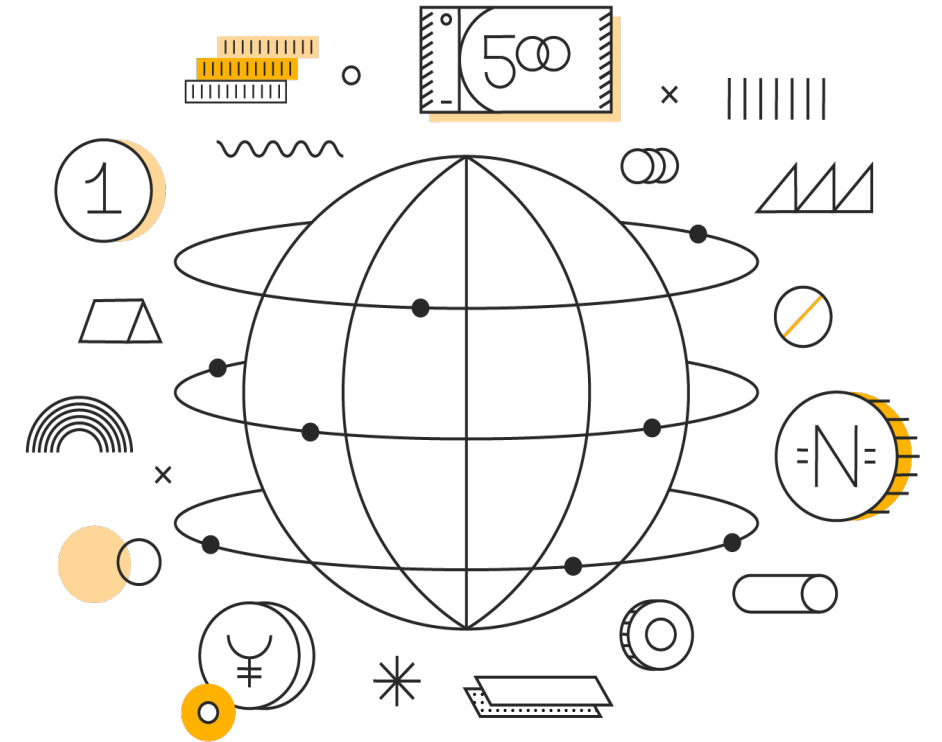


TALA

Asset Issuer Tools Allow for Broader Adoption

Asset issuers can use built-in features to:

- Approve Users
- Freeze Accounts
- Clawback Assets
- Require multiple signatures for certain transactions
- Register transactions for future settlement
- Add memos to transactions to provide public details



Self-custodied ↑ How ~~Decentralized~~ Identity Works

CFTC MRAC Presentation

March 8, 2023

Linda Jeng

Chief Global Regulatory Officer & General Counsel

Crypto Council for Innovation

Self-custodied



How ~~Decentralized~~ Identity Works

Identity themes

- ✦ Preventing fraudulent (or sanctioned) users from transacting
- ✦ Reducing friction for legitimate users
- ✦ Avoiding doxxing

New approach, improved outcomes for individuals

- ✦ Convenience, privacy
- ✦ Path to more equitable access

From consumer perspective, with demo

How do we roll this out more broadly?

Digital Identity

Represent who we are in
online or remote
interactions

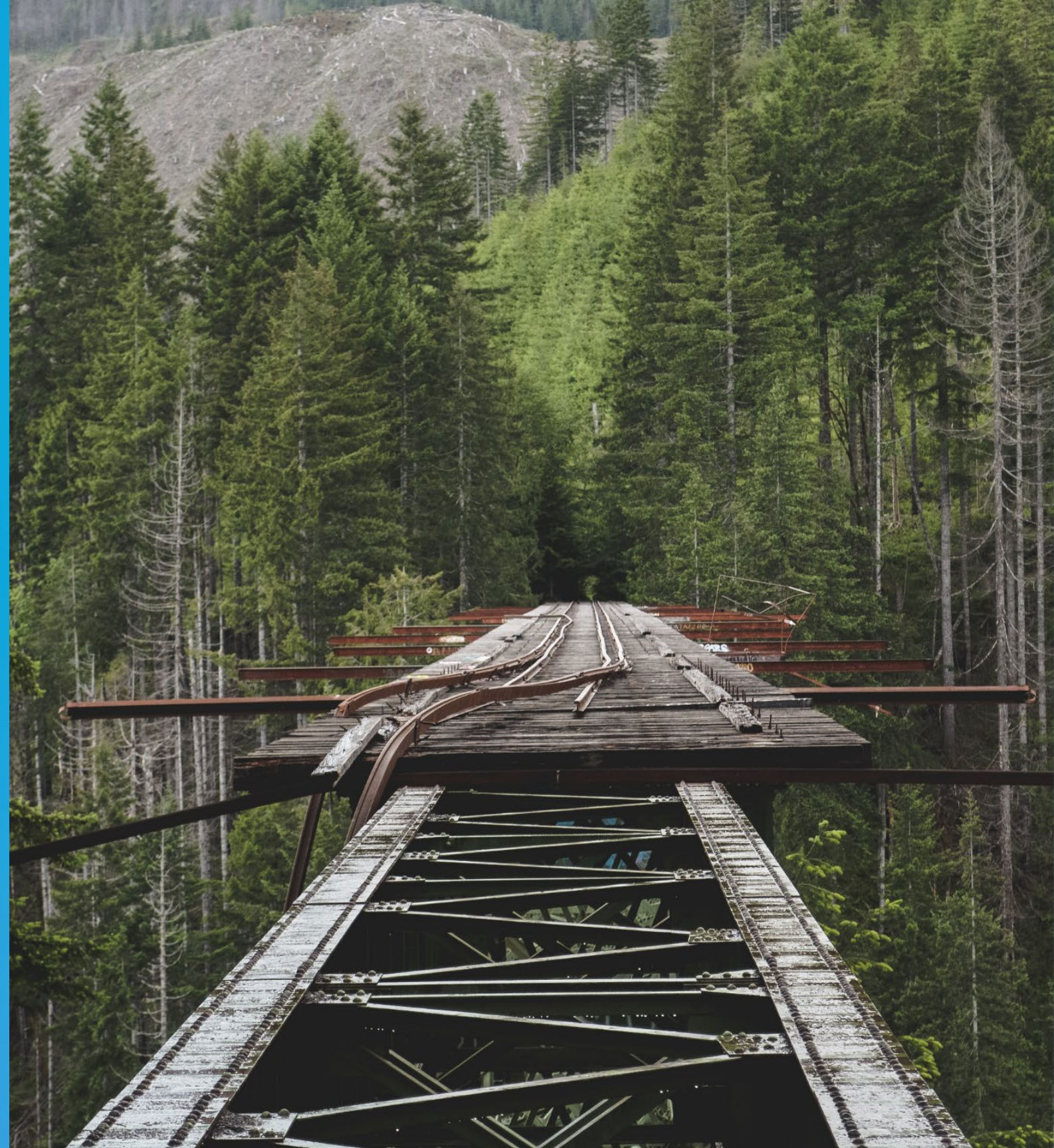
Such as online banking



Missing rails of trust

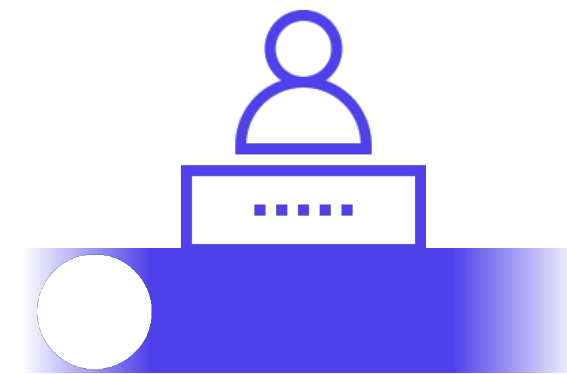
“The Internet was built
without an identity
layer.”

—Kim Cameron, The Laws of
Identity, May 2005



Centralized Identity

- Phases:
 - Onboarding: who are you?
 - Afterward / Authentication: are you who you claim to be
- Username + password
- Each organization/SP



Federated Identity (*)

Managing many login creds is risky

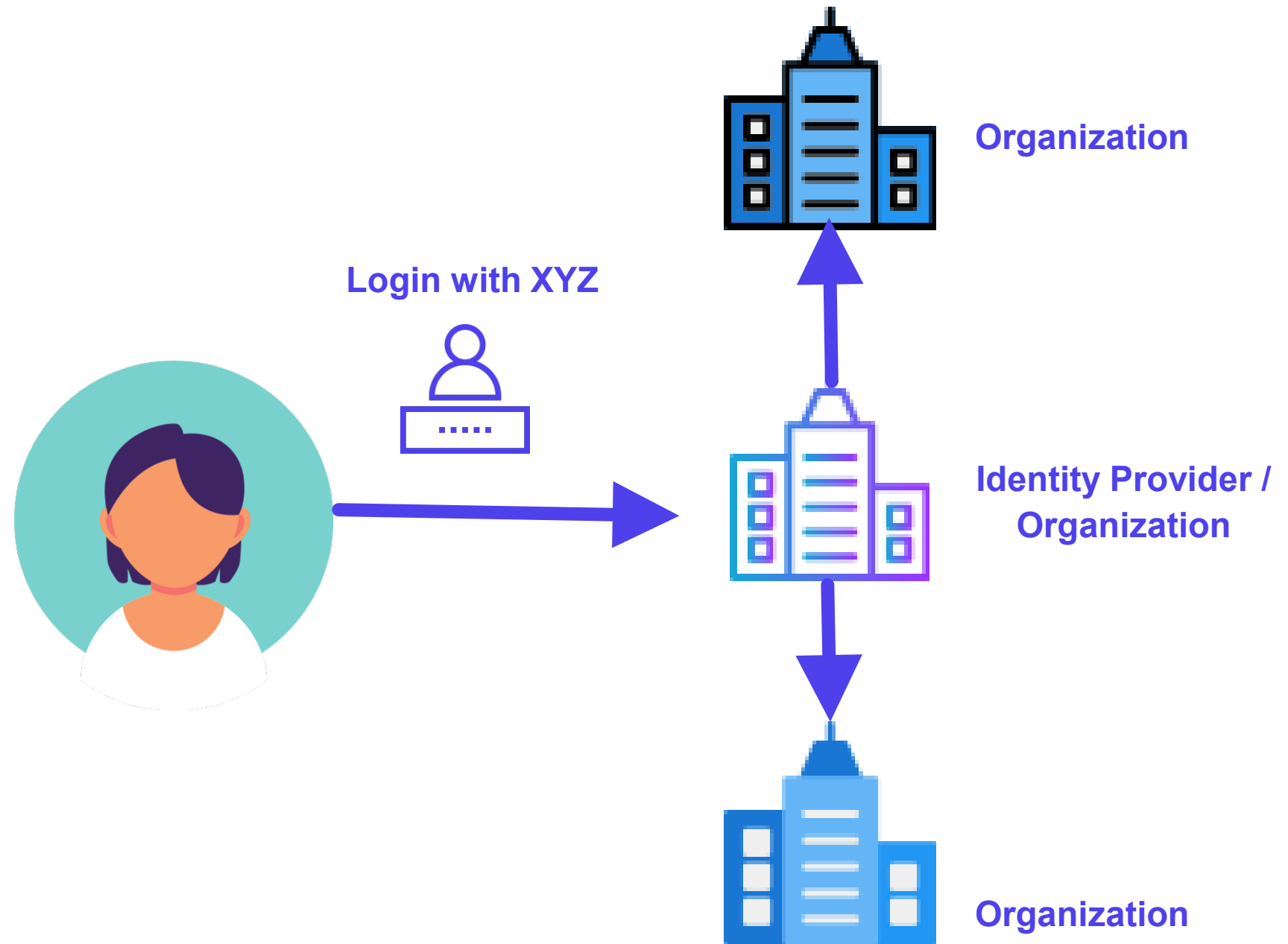
Individuals & orgs

Single sign on (SSO)

+ Convenience, security

- IDP better get it right

+ MFA, Biometrics



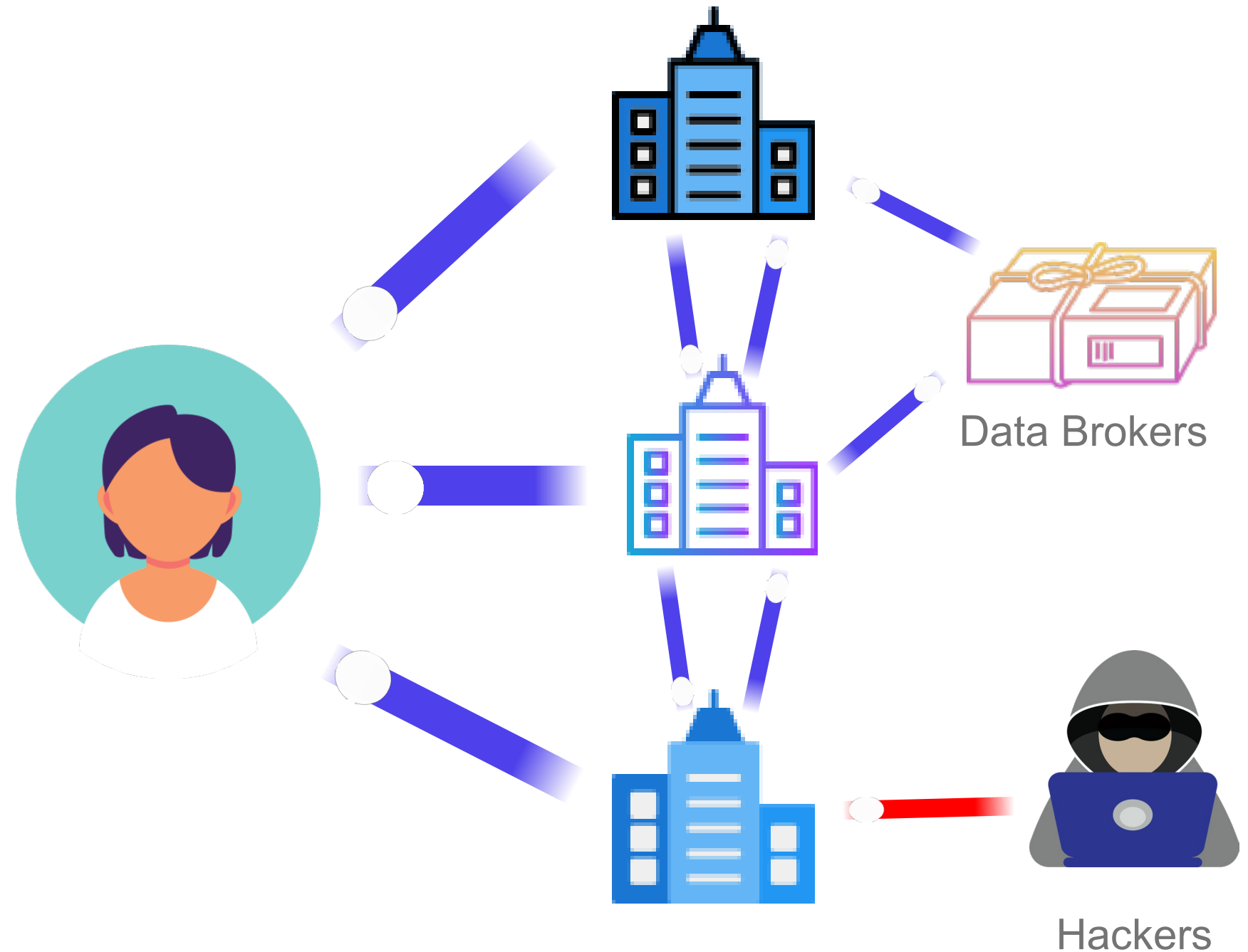
Problems remain

- ❌ Only basic attributes
- ❌ Minimal reuse for similar services
- ❌ Incentives => platform lockin
- ❌ Fragmentation



Plus new downsides

- ❏ More complete picture of our online activities
- ❏ Appealing to advertisers
- ❏ Personal data vulnerable to brokers and hackers



Digital Identity Report Card

From a Financial Consumer Perspective



Fraud

Unidirectional assurance; Identity fraud and theft



Friction

Difficulty/delays at enrolment



Fees

Increased costs to providers passed onto consumer



Fracture

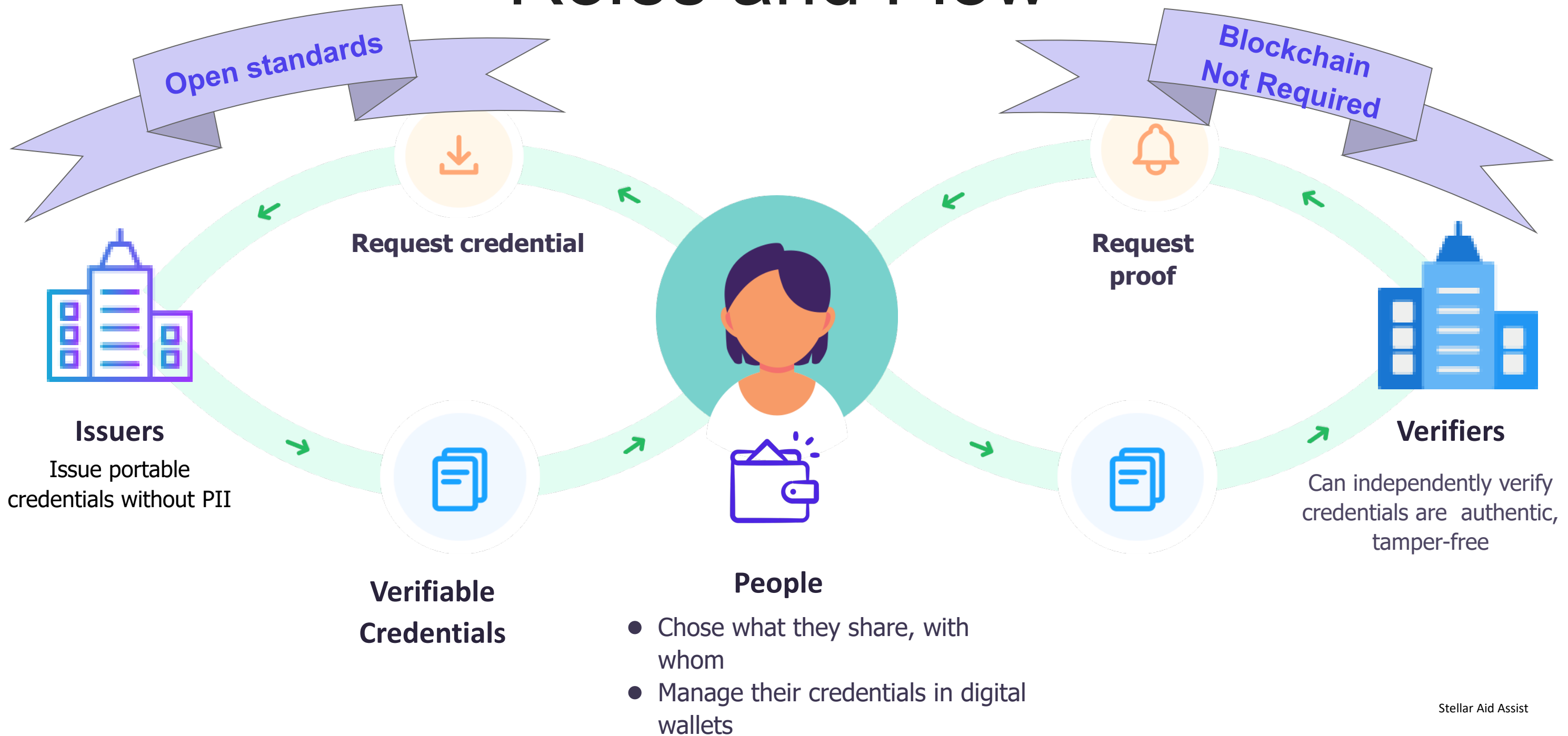
Proliferation of our personal data, outside of our control

Uneven access

Self-Managed Identity

The alternative based on mutually
established trust

Roles and Flow





Collect a KYC Credential

Amanda has been a customer for ten years at her local community bank, First Community Bank.

She requests a KYC credential from First Community Bank.

No Credentials
Visit verite.id to request credentials.

demons.verite.id/demos/issuer/kyc


W3C CCG - GitHub Gmail Twitter Google Drive Google Calendar DIF Credential Ma... DID Specification... Open Content on... Update

Demo: Basic Issuance

KYC/AML Credit Score kim@test.com Sign out

KYC/AML Verifiable Credential Issue User Experience

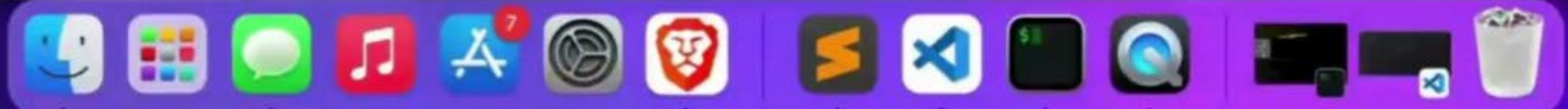
Credentials and DID data may be custodied in crypto/identity wallets such as browser extensions, mobile apps, or hosted wallet providers. For this demo, begin the request protocol by scanning this QR code using the Verite demo mobile app wallet:



Behind the Scenes

The QR code contains a `challengeTokenUrl` that enables the wallet to retrieve a [Credential Manifest](#) defining the credentials that the issuer can issue and how a wallet can request them. Credential Manifests are a developing standard by the Decentralized Identity Foundation (of which Centre is a member).

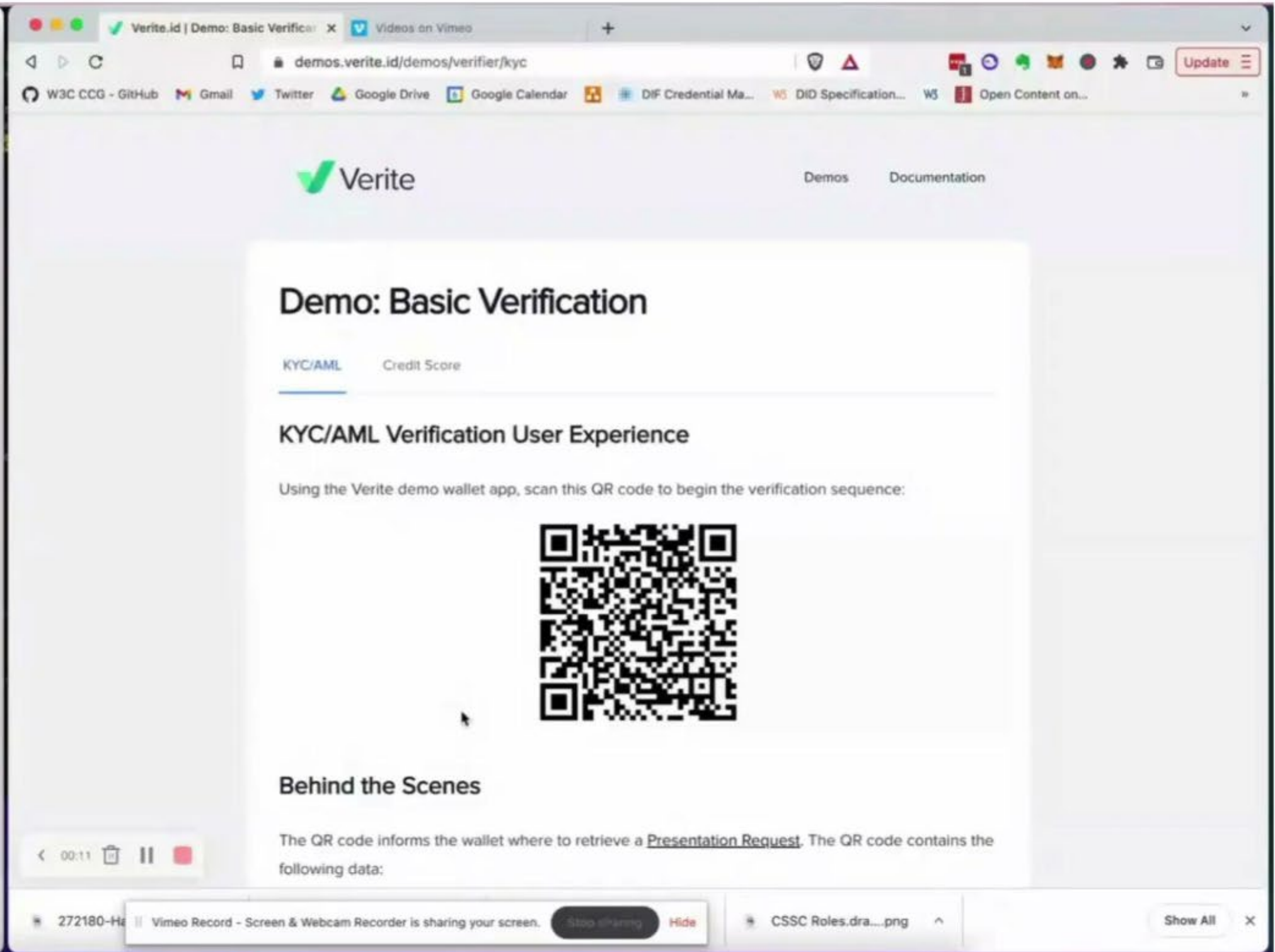
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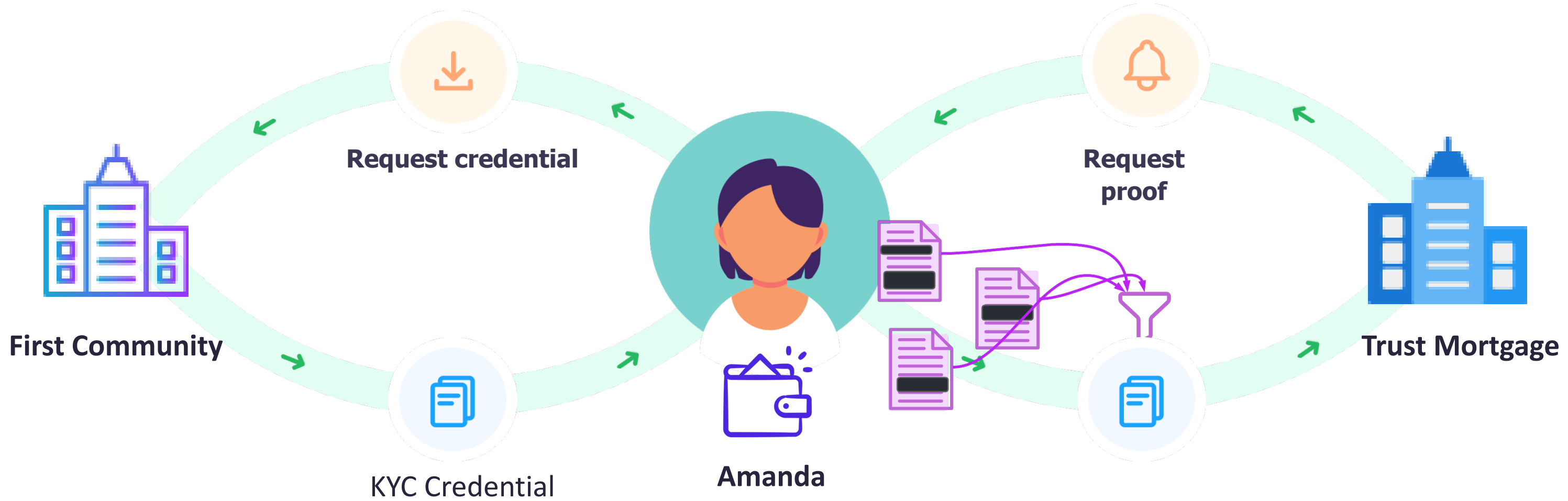


Share KYC Credential with a Mortgage Lender

Amanda shares her KYC credential
from First Community Bank to Trust
Mortgage



Summary

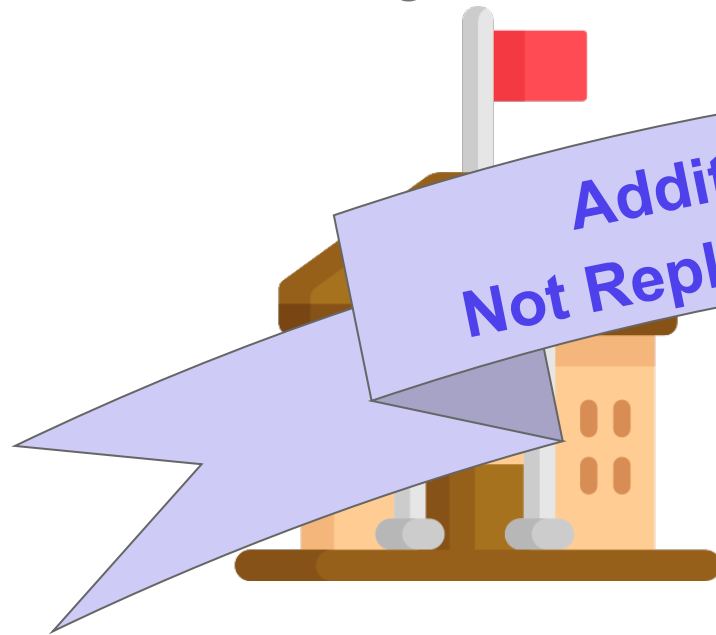


Verifiable Credentials

Financial
Institutions



Government
Agencies



Employers and
Educators



Social Networks
and Peers



Enabled by public open standards

Open standards enable open, interoperable ecosystems

Decentralized identity standards provide a user-centric solution for the internet's missing identity layer





Future of Finance
MRAC Member Open Discussion



**Section Three – Climate-Related Market Risk, Market Structure and Interest Rate
Benchmark Reform**
Opening Remarks from Scott O'Malia, ISDA



Climate-Related Market Risk



Climate-Related Market Risk
MRAC Member Open Discussion



Market Structure

Treasury Market Developments and Swaps Block Transactions



Market Structure
MRAC Member Open Discussion



Interest Rate Benchmark Reform
Update on Transition Progress and Last Steps



Adjournment