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5 U.S. COMMODITY FUTURES TRADING COMMISSION (CFTC)

6 MARKET RISK ADVISORY COMMITTEE MEETING

7 (MRAC)

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10 Tuesday, July 13, 2021

11 9:30 a.m.

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Location:

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Commodity Futures Trading Commission (CFTC)

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Three Lafayette Centre

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1155 21st Street, N.W.

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Washington, D.C. 20581

7

PARTICIPANTS

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CFTC:

9

ROSTIN BEHNAM, Acting Chairman, MRAC Sponsor

10

DAN M. BERKOVITZ, Commissioner

11

BRIAN D. QUINTENZ, Commissioner

12

DAWN DEBERRY STUMP, Commissioner

13

ALICIA L. LEWIS, Designated Federal Officer

14

(DFO), Special Counsel, Office of Acting Chairman

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Behnam

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## MARKET RISK ADVISORY COMMITTEE MEMBERS:

3

NADIA ZAKIR, MRAC Chair, Executive Vice President

4

and Chief Compliance Officer &amp; Global Head of

5

Compliance, Pacific Investment Management Company LLC

6

B. SALMAN BANAEI, Executive Director, Global Head

7

of Clearance and Settlement, IHS Markit

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STEPHEN BERGER, Managing Director and Global Head

9

of Government &amp; Regulatory Policy, Citadel

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RICHARD BERNER, Clinical Professor of Management

11

Practice in Finance and Co-Director of the Stern

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Volatility and Risk Institute, NYU Stern School of

13

Business (Special Government Employee)

14

LEE BETSILL, Managing Director and Chief Risk

15

Officer, CME Group

16

PETER BORISH, Chief Strategist, Quad Group

1           BISWARUP CHATTERJEE, Managing Director, Global  
2 Head of Innovation, Markets & Securities Services,  
3 Citigroup

4           ALICIA CRIGHTON, Global Co-Head of Futures and  
5 Head of OTC and Prime Clearing Businesses, Goldman  
6 Sachs, representing Futures Industry Association

7           ANDREW DANZIG, Vice President, Markets Group,  
8 Federal Reserve Bank of New York

9           CHRIS DICKENS, Chief Operating Officer, Global  
10 Markets, EMEA, HSBC

11          SHELLY GOODWIN, Compliance Director, Refining &  
12 Products Trading Americas and Global Crude, BP IST  
13 Global America

14          MATTHIAS GRAULICH, Member of the Executive Board  
15 and Chief Strategy Officer, Eurex Clearing AG

16          FRANK HAYDEN, Vice President, Trading Compliance,

1 Calpine Corporation

2 AMY HONG, Managing Director and Head of Market  
3 Structure & Strategic Partnerships for the Global  
4 Markets Division, Goldman Sachs

5 LINDSAY HOPKINS, Clearing House Counsel,  
6 Minneapolis Grain Exchange

7 DAVID HORNER, Chief Risk Officer, LCH Limited

8 ANNETTE HUNTER, Senior Vice President and  
9 Director of Accounting Operations, Federal Home Loan  
10 Bank of Atlanta

11 ANGIE KARNA, Managing Director, Legal Department,  
12 Nomura Global Financial Products, Inc.

13

14 DEMETRI KAROUSOS, Chief Risk Officer, Nodal  
15 Clear, LLC, and Chief Operating Officer, Nodal  
16 Exchange, LLC

1           EILEEN KIELY, Managing Director, Deputy Head of  
2 Counterparty & Concentration Risk, BlackRock

3           ELISABETH KIRBY, Managing Director and Head of  
4 Market Structure, Tradeweb

5           DEREK KLEINBAUER, Global Head of Fixed Income &  
6 Equities Electronic Trading, Bloomberg LP and Vice  
7 President, Bloomberg SEF LLC

8           LAURA KLIMPEL, Managing Director, The Depository  
9 Trust & Clearing Corporation

10          ROBERT MANGRELLI, Director, Chatham Financial

11          KEVIN MCCLEAR, Corporate Risk Officer,  
12 Intercontinental Exchange, Inc.

13          CRAIG MESSINGER, Senior Advisor, Virtu Financial

14          DALE MICHAELS, Executive Vice President,  
15 Financial Risk Management, The Options Clearing  
16 Corporation

1           JOHN MURPHY, Managing Director and Global Head of  
2 Futures Division, Mizuho Americas, Commodity Markets  
3 Council

4

5           DR. SAM PRIYADARSHI, Principal, Global Head of  
6 Portfolio Risk Management and Derivatives, Vanguard

7           MARNIE ROSENBERG, Managing Director and Global  
8 Head of Clearinghouse Risk & Strategy, JP Morgan

9           JAMES SHANAHAN, Vice President - Financial  
10 Regulatory Compliance, CoBank ACB

11           DR. BETTY SIMKINS, Head of Finance Department,  
12 Professor and Williams Companies Chair in Business,  
13 Oklahoma State University, Spears School of Business  
14 (Special Government Employee)

15           TYSON SLOCUM, Director, Energy Program, Public  
16 Citizen

1           ROBERT STEIGERWALD, Senior Policy Advisor,  
2 Financial Markets, Federal Reserve Bank of Chicago

3

4                   PRESENTERS:

5           THOMAS WIPF, Chairman, MRAC Interest Rate  
6 Benchmark Reform Subcommittee; Chairman, Alternative  
7 Reference Rates Committee (ARRC); Vice Chairman,  
8 Institutional Securities, Morgan Stanley

9           LEE BETSILL, Co-Chair, CCP Risk and Governance  
10 Subcommittee; Managing Director and Chief Risk  
11 Officer, CME Group

12           ALICIA CRIGHTON, Co-Chair, CCP Risk and  
13 Governance Subcommittee; Global Co-Head of Futures and  
14 Head of OTC and Prime Clearing Businesses, Goldman  
15 Sachs, representing Futures Industry Association

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1 P R O C E E D I N G S

2 MS. LEWIS: Good morning. As the MRAC Designated  
3 Federal Officer, it is my pleasure to call this  
4 meeting to order.

5 Before we begin this morning's discussion, I  
6 would like to turn to the members of the Commission  
7 and the MRAC chair for opening remarks. We will start  
8 with Acting Chairman Rostin Behnam, the MRAC sponsor,  
9 followed by Commissioner Quintenz, then Commissioner  
10 Stump, followed by Commissioner Berkovitz, and  
11 finally, Nadia Zakir, the MRAC chair. Now we will  
12 have remarks from Acting Chairman Behnam.

13 ACTING CHAIRMAN BEHNAM: Thank you, Alicia, and  
14 good morning, and welcome to the CFTC's Market Risk  
15 Advisory Committee. I want to thank Commissioner  
16 Quintenz, Commissioner Stump, and Commissioner

1 Berkovitz for joining today's meeting. I also want to  
2 thank and acknowledge the MRAC members and the  
3 subcommittee chairs who will present reports today.  
4 I'd also like to extend my gratitude to MRAC chair,  
5 Nadia Zakir, for her leadership and, of course, to  
6 Alicia Lewis, the Committee's Designated Federal  
7 Officer, for her commitment to making the MRAC and its  
8 Subcommittee a success. I'd also like to thank all  
9 the CFTC staff behind the scenes who make these  
10 virtual meetings possible.

11 I'd also like to extend a warm welcome to our new  
12 members, Andrew Danzig, Vice President, the Federal  
13 Reserve Bank of New York; Amy Hong, Head of Market  
14 Structure and Strategic Partnerships in the Global  
15 Markets Division at Goldman Sachs; David Horner, Chief  
16 Risk Officer, LCH, Limited; and Elizabeth Kirby, Head

1 of Market Structure at Tradeweb. And with new  
2 members, we'd also like to say farewell to some  
3 departing MRAC members: Dennis McLaughlin, Sujatha  
4 Srinivasan, Marcus Stanley, Janine Tramontana, Scott  
5 Zucker, and CCP Risk and Governance Subcommittee  
6 member, Bill Thum. On behalf of MRAC, I want to thank  
7 each and every one of you for your time and dedicated  
8 service and wish you luck as you take on new and  
9 engaging issues and challenges in the future.

10 Finally, I'd like to acknowledge that since our  
11 last MRAC meeting, the Market Structure and Climate-  
12 Related Market Risk Subcommittee concluded, having  
13 delivered their final recommendation. Thank you to  
14 all of the subcommittee members, and special thanks to  
15 their chairs, MRAC members Lisa Shemie and Stephen  
16 Berger, who led the Market Structure Subcommittee, and

1 Bob Litterman, a market risk expert and climate policy  
2 pioneer who led the Climate Subcommittee.

3       Our last meeting found us almost one year into  
4 the COVID-19 pandemic with an ambitious agenda where  
5 we heard from all four of the MRAC subcommittees and  
6 held our first panel focused on diversity, equity, and  
7 inclusion in the derivatives industry and related  
8 markets. The vibrant discussions and overwhelming  
9 participation exemplified the MRAC as a forum for  
10 developing ideas, provoking change, and ensuring that  
11 consensus is reached through open and transparent  
12 debate. Having seen the momentum generated by the  
13 climate report in our industry and beyond and the  
14 ongoing debates regarding swap dealer regulation and  
15 the MAT process, there is no doubt that our efforts  
16 lead to success. We've changed the landscape and,

1 more importantly, started dialogues to explore and  
2 identify solutions. As I pledge to continue  
3 supporting MRAC and subcommittee momentum in  
4 addressing the issues of the day and those to come in  
5 2021, I highlighted the larger role of financial  
6 market regulators in ensuring transparency and equity,  
7 as well as providing firm and decisive leadership  
8 during times of market transition.

9 Today's agenda will home in on transition in  
10 building consensus. First, we'll hear from Tom Wipf  
11 and the Subcommittee on Interest Rate Benchmark  
12 Reform, and the full MRAC will vote on whether to  
13 adopt the Subcommittee's SOFR First recommendation.  
14 On June 8th, the Commission announced that the  
15 Benchmark Subcommittee voted to recommend the SOFR  
16 First Transition Initiative as a best practice aimed

1 at prioritizing inter-dealer trading in SOFR over  
2 LIBOR for consideration by the MRAC. That same day, I  
3 delivered remarks at the SOFR symposium sponsored by  
4 the Alternative Reference Rates Committee and the New  
5 York Fed. I spoke at length about the history of  
6 LIBOR, its regression on several fronts, and the  
7 general observation that as a market regulator, it  
8 would be indefensible to stand by and allow market  
9 participants to mechanically continue down LIBOR's  
10 road to obsolescence when a sustainable path is  
11 clearly in sight.

12 The Initiative represents a prioritization of  
13 inter-dealer trading in SOFR over LIBOR.  
14 Specifically, as a part of the initiative, the  
15 Benchmark Subcommittee recommends that inter-dealer  
16 brokers change U.S. dollar linear swap trading

1 convention to SOFR on July 26th, 2021. After July  
2 26th, 2021, the inter-dealer market should replace  
3 trading of LIBOR linear swaps with trading of SOFR  
4 linear swaps. LIBOR would be expected to be  
5 accessible as a basis to SOFR after this date.  
6 However, screens for LIBOR linear swaps should remain  
7 visible for informational purposes only after this  
8 date. In other words, the recommendation is that  
9 dealer-to-dealer trading in LIBOR linear swaps should  
10 cease at the end of July. All trading, out rights,  
11 and basis swaps, would be around SOFR. After October  
12 22nd, 2021, the recommendation is that screens  
13 operated by platforms specializing in inter-dealer  
14 trading for LIBOR linear swaps should be turned off  
15 altogether.

16 Later that week, I shared a shortened version of

1 those remarks at the open session of the meeting of  
2 the Financial Stability Oversight Council, during  
3 which I took the opportunity to highlight the  
4 significant ongoing collaborative work of the  
5 Benchmark Subcommittee and the ARRC and the milestones  
6 that had -- they had reached alongside one another.  
7 Shortly thereafter, on June 24th, the Benchmark  
8 Subcommittee voted to broaden the SOFR First  
9 Initiative to cover additional products, including  
10 cross-currency swaps, non-linear derivatives, and  
11 exchange-traded derivatives. The SOFR First  
12 Initiative is designed to help market participants  
13 decrease reliance on U.S. dollar LIBOR in light of the  
14 FSB and IOSCO statements on LIBOR transition, which  
15 are supportive of interagency guidance from U.S.  
16 banking regulators that banks cease entering new

1 contracts that reference U.S. dollar LIBOR post  
2 December 31st, 2021.

3       Since the early June announcement, the Commission  
4 has received feedback regarding how the SOFR First  
5 Initiative implicates the mandatory clearing  
6 requirements and related made-available-to-trade, or  
7 MAT, determinations for SOFR swaps under the Commodity  
8 Exchange Act and Commission regulations. In  
9 anticipation of the end of LIBOR and its replacement  
10 with SOFR, my plan is to have staff present the  
11 Commission with a rule proposal addressing mandatory  
12 clearing of SOFR swaps with the expectation of  
13 finalization in 2022. Relatedly and in the interim of  
14 a Commission rulemaking on mandatory clearing, for  
15 purposes of the Commission rule prohibiting post-trade  
16 name give-up on swap execution facilities, which is

1 now applicable to swaps that are mandatorily cleared  
2 or intended to be cleared, Commission staff expect  
3 that SEFs will treat SOFR swaps as intended to be  
4 cleared or as mandatorily cleared swaps for purposes  
5 of Commission Rule 37.9(d). In short, it may be  
6 simplest to think of LIBOR and SOFR swaps as identical  
7 with regard to their treatment under the post-trade  
8 name give-up rule.

9       Turning to our second item, the CCP Risk and  
10 Governance Subcommittee will present its reports on  
11 capital and skin-in-the-game, and stress testing and  
12 liquidity for acceptance by the full MRAC. The  
13 reports provide a glimpse to the areas of discussion  
14 that took place throughout the last one-and-a-half  
15 years, and, given the considerable diversity of views  
16 represented by the MRAC, I recognize that there is

1 still much left to be done. I am committed to  
2 continuing an open and fulsome dialogue on these  
3 issues. And along those lines, I wish to thank  
4 greatly Alicia Crighton and Lee Betsill, the CCP Risk  
5 and Governance Subcommittee co-chairs, and all the  
6 workstream heads for their leadership, and the  
7 Subcommittee for its steadfast commitment to  
8 completing the task before them. It certainly was a  
9 difficult one.

10 As our time is short this morning, I'm going to  
11 wrap it up quickly so we can hear from my fellow  
12 Commissioners and move forward with our agenda.  
13 Again, I wish to thank everyone participating in the  
14 MRAC today and out there watching for their comments,  
15 their collaboration, coordination, and communication  
16 that will help ensure that our advisory committees

1 keep us moving in the right direction. Thank you very  
2 much.

3 MS. LEWIS: Thank you, Chairman Behnam.  
4 Commissioner Quintenz?

5 COMMISSIONER QUINTENZ: Thank you, Alicia. Thank  
6 you for your leadership of MRAC. Nadia, thank you for  
7 your leadership, and, of course, Acting Chairman  
8 Behnam for your stewardship of this very important  
9 committee over the last number of years and the hard  
10 work that has gone into all the prior meetings, but  
11 especially today with the work for SOFR in the  
12 Benchmark Subcommittee, the CCP Risk and Governance  
13 Subcommittee. You know, just because agreement  
14 sometimes is out of reach doesn't mean conversations  
15 aren't important to have, and I really appreciate your  
16 leadership, Acting Chairman, in bringing people

1 together to discuss these important issues, and I'm  
2 excited to learn from the conversation today, so thank  
3 you. That's all.

4 MS. LEWIS: Thank you, Commissioner Quintenz.  
5 Commissioner Stump?

6 COMMISSIONER STUMP: Thank you. Thanks to all of  
7 the subcommittee and full committee members who have  
8 been so active on this very important topic. As a  
9 Commission, we've spent much of the last year working  
10 through finalizing a number of rulemakings. And I  
11 think it's important to note that all of these things  
12 that this committee has been focused on may not have  
13 been front of our public agenda, but they were always  
14 front of mind, and we knew we were going to be facing,  
15 in particular, with regard to benchmarks, we were  
16 going to be facing some tough questions as we moved

1 into this year and the following year. And so, I  
2 really know -- I know we'll get that from the work  
3 with this subcommittee has been doing, and I look  
4 forward to hearing the presentation from the  
5 subcommittee as well as the recommendations that may  
6 be presented for consideration for the Commission.

7 I really can't emphasize enough how critical I  
8 think it is that we begin to focus on, and I'm happy  
9 to hear the Acting Chairman speak to focusing on, how  
10 we need to identify those swaps for which we need to  
11 consider mandatory clearing and make the trade  
12 determination because the clock is fast -- the clock  
13 is ticking and the deadline is fast approaching. So,  
14 I'm very happy to hear that you will be focusing on  
15 this thing. And these mandates that are currently in  
16 place were put in place years ago, and so I'm happy

1 that we'll have an opportunity to consider the  
2 appropriateness of the mandates for those who are  
3 going to be required to clear and execute on  
4 platforms.

5       With regard to CCP governance, yes, this is a  
6 really tough topic. We all hear a lot from various  
7 different -- and a lot of very different viewpoints  
8 from different camps who utilize the infrastructure,  
9 but at no time has it been as important as we have  
10 seen the clearing infrastructure become a requirement  
11 not only in our futures space, but in the OTC space.  
12 And so, I'm pleased that the subcommittee has  
13 identified a number of consensus items. I think  
14 there's obviously more work to do. I look forward to  
15 an ongoing dialogue. I know this is no small task. I  
16 hope there can be more consensus as we move forward,

1 and I look forward to this presentation. So, thanks  
2 to Alicia. Thanks to Nadia. Thanks to everyone who  
3 participated in getting us to this point. I know it  
4 was no easy task, so I really appreciate it.

5 MS. LEWIS: Thank you, Commissioner Stump.

6 Commissioner Berkovitz?

7 COMMISSIONER BERKOVITZ: Thank you, Alicia, and  
8 good morning to all the members of the -- of the MRAC  
9 Committee, and thank you for your time and commitment  
10 to these incredibly important issues. Since I've been  
11 at the Commission, both in my current capacity and in  
12 my prior capacity, both of these have been issues  
13 going back a decade or so on the -- on the LIBOR issue  
14 and CCP governance as well. It's important that we  
15 continue to make progress on both these issues. I'm  
16 encouraged and excited about the upcoming transition

1 and recommendations as they've been described, and I  
2 think it's incredibly important to stay informed and  
3 make implementation of SOFR a priority, so I'm very  
4 interested in today's discussion on both these topics.  
5 I thank the members of the committees and the  
6 subcommittee for all their work. This is voluntary  
7 work in public service. I know everybody has very  
8 demanding jobs, particularly conflicting  
9 responsibilities in times of the pandemic, so I just  
10 wanted to thank all the members for the hard work  
11 they've put into this. Thank you again, Alicia, thank  
12 you, Nadia, for chairing this committee, and thank you  
13 Acting Chair Behnam for your leadership and commitment  
14 on these issues and keeping the ball moving forward  
15 and the dialogue active and open. So, I'm looking  
16 forward to today's meeting. Thank you, everyone.

1 MS. LEWIS: Thank you, Commissioner Berkovitz.  
2 Many thanks to the Acting Chairman and the  
3 Commissioners for their opening remarks. Now I would  
4 like to turn to Nadia Zakir, the MRAC chair, for her  
5 remarks and to start today's discussion.

6 (No response.)

7 MS. LEWIS: Nadia, please unmute.

8 MS. ZAKIR: Is that better?

9 (No response.)?

10 MS. ZAKIR: Can you hear me? Okay, great.

11 MS. LEWIS: Yes.

12 MS. ZAKIR: Thank you, Alicia. I would like to  
13 start by thanking Acting Chairman Behnam and each of  
14 the Commissioners for their leadership of the  
15 Commission and for giving me the opportunity to chair  
16 this important committee. I also want to thank each

1 of the MRAC members and, in particular, the members of  
2 the subcommittees and the workstream leads for all of  
3 their efforts, their collaboration, and their  
4 leadership in engaging on the important and critical  
5 work of the MRAC. The Interest Rate Benchmark Reform  
6 Subcommittee has been and continues to be critical to  
7 the LIBOR transition of the derivatives market and has  
8 supplemented and worked alongside the ARRC in helping  
9 our industry transition to SOFR. Similarly, the CCP  
10 Risk and Governance Subcommittee has tackled the  
11 critical and challenging topics pertaining to CCP  
12 governance and transparency, stress testing and  
13 liquidity, and skin-in-the-game and capital.

14 The meetings of this subcommittee, as Acting  
15 Chair Behnam noted, in particular, at times, resulted  
16 in spirited debate and differences in opinion. But,

1 importantly, I believe these meetings resulted in an  
2 open dialogue and critical engagement across different  
3 segments of our membership and of the industry,  
4 ultimately yielding in the reports that they've  
5 presented previously and will present today, but also  
6 resulting in what I expect to be continued engagement  
7 on these topics in furtherance of the mission of the  
8 MRAC to identify and reduce systemic risk, market  
9 transparency, safety and efficiency, and to prioritize  
10 customer protection. Finally, I want to extend my  
11 gratitude to Alicia Lewis for her dedication,  
12 organization, and invaluable guidance in helping to  
13 lead the MRAC.

14       Before we begin, we would like to do a roll call  
15 of the members on the Webex so we have your attendance  
16 on the record. After Alicia says your name, please

1 unmute your audio by selecting the microphone icon and  
2 indicate that you're present and then mute your audio.  
3 Alicia?

4 MS. LEWIS: Okay. Salman Banaei, IHS Markit?

5 (No response.)

6 MS. LEWIS: Salman Banaei, IHS Markit?

7 MR. BANAEI: Good morning. Present. I'm having  
8 trouble unmuting. Thank you.

9 MS. LEWIS: Okay. Thank you. Stephen Berger,  
10 Citadel?

11 MR. BERGER: Present.

12 MS. LEWIS: Dick Berner?

13 MR. BERNER: I'm here.

14 MS. LEWIS: Lee Betsill, CME Group?

15 MR. BETSILL: Present.

16 MS. LEWIS: Peter Borish, Quad Group?

1 (No response.)

2 MS. LEWIS: Peter Borish, Quad Group?

3 (No response.)

4 MS. LEWIS: Okay. Bis Chatterjee, Citi?

5 MR. CHATTERJEE: Hi, this is Bis. I'm present.

6 MS. LEWIS: Alicia Crighton, FIA?

7 MS. CRIGHTON: Good morning. Present.

8 MS. LEWIS: Andrew Danzig, Federal Reserve --  
9 Federal Reserve Bank of New York?

10 (No response.)

11 MS. LEWIS: Andrew, unmute yourself.

12 MR. DANZIG: Good morning. Present.

13 MS. LEWIS: Chris Dickens, HSBC?

14 (No response.)

15 MS. LEWIS: Chris Dickens, HSBC?

16 MR. DICKENS: Yes, sorry. Present.

1 MS. LEWIS: Shelly Goodwin, BP?

2 MS. GOODWIN: Good morning. Present.

3 MS. LEWIS: Matthias Graulich, Eurex Clearing?

4 (No response.)

5 MS. LEWIS: Matthias Graulich, Eurex Clearing?

6 (No response.)

7 MS. LEWIS: Matthias, unmute yourself.

8 (No response.)

9 MS. LEWIS: Okay, Matthias. We'll come back to  
10 you. IT, can you work with Matthias Graulich --

11 MR. GRAULICH: Can you hear me now, Alicia?

12 MS. LEWIS: Oh yes. Yes, I can hear you now.

13 MR. GRAULICH: Yeah, sorry. I'm present.

14 MS. LEWIS: Excellent. Thank you. Graham  
15 Harper, Futures Industry Association, Principal  
16 Traders Group?

1 (No response.)

2 MS. LEWIS: Graham Harper, FIA, PTG?

3 (No response.)

4 MS. LEWIS: Okay. Frank Hayden, Calpine  
5 Corporation?

6 (No response.)

7 MS. LEWIS: Frank Hayden, Calpine Corporation?

8 (No response.)

9 MS. LEWIS: Let me make sure that he --

10 MR. HAYDEN: Good morning. Present.

11 MS. LEWIS: Excellent. Thank you. Amy Hong,  
12 Goldman Sachs?

13 MS. HONG: Good morning. Present.

14 MS. LEWIS: Lindsay Hopkins, Minneapolis Grain  
15 Exchange?

16 MS. HOPKINS: Good morning. Present.

1 MS. LEWIS: David Horner, LCH Limited?

2 MR. HORNER: Present.

3 MS. LEWIS: Annette Hunter, Federal Home Loan

4 Bank of Atlanta?

5 MS. HUNTER: I'm present. Thank you.

6 MS. LEWIS: Angie Karna, Nomura Global Financial

7 Products, Inc.?

8 MS. KARNA: Good morning, Alicia. Present.

9 MS. LEWIS: Good morning. Demetri Karousos,

10 Nodal Exchange?

11 MR. KAROUSOS: Good morning, Alicia. Present.

12 MS. LEWIS: Good morning. Eileen Kiely,

13 BlackRock?

14 MS. KIELY: Yes, good morning. I'm present.

15 MS. LEWIS: Good morning. Elisabeth Kirby,

16 Tradeweb?

1 MS. KIRBY: Good morning. Present.

2 MS. LEWIS: Derek Kleinbauer, Bloomberg SEF?

3 MR. KLEINBAUER: Good morning, Alicia. Present.

4 MS. LEWIS: Laura Klimpel, DTCC?

5 MS. KLIMPEL: Good morning. Present.

6 MS. LEWIS: Rob Mangrelli, Chatham Financial?

7 MR. MANGRELLI: Good morning. Present.

8 MS. LEWIS: Kevin McClear, Intercontinental  
9 Exchange?

10 MR. MCCLEAR: Hi. Present.

11 MS. LEWIS: Craig Messinger, Virtu Financial?

12 MR. MESSINGER: Good morning, Alicia.

13 MS. LEWIS: Good morning. Dale Michaels, The  
14 Options Clearing Corporation?

15 MR. MICHAELS: Good morning, and present.

16 MS. LEWIS: Good morning. John Murphy, Commodity

1 Markets Council?

2 MR. MURPHY: Good morning. Present.

3 MS. LEWIS: Good morning. Dr. Sam Priyadarshi,  
4 Vanguard?

5 DR. PRIYADARSHI: Good morning, Alicia. I'm  
6 present.

7 MS. LEWIS: Good morning. Marnie Rosenberg, JP  
8 Morgan?

9 MS. ROSENBERG: Good morning. I'm present.

10 MS. LEWIS: Jim Shanahan, CoBank?

11 MR. SHANAHAN: Good morning. Present.

12 MS. LEWIS: Lisa Shemie, Cboe Global Markets?

13 (No response.)

14 MS. LEWIS: Lisa Shemie, Cboe Global Markets?

15 (No response.)

16 MS. LEWIS: Dr. Betty Simkins?

1 DR. SIMKINS: Good morning, Alicia. Present.

2 MS. LEWIS: Good morning. Tyson Slocum, Public  
3 Citizen?

4 MR. SLOCUM: Good morning. I'm here.

5 MS. LEWIS: And Robert Steigerwald, Federal  
6 Reserve Bank of Chicago?

7 MR. STEIGERWALD: Present.

8 MS. LEWIS: Okay. And Tom Wipf, Interest Rate  
9 Benchmark Reform Subcommittee chair -- Subcommittee  
10 chair, are you present?

11 MR. WIPF: I am, Alicia. Good morning. Thank  
12 you.

13 MS. LEWIS: Okay. Excellent. And that concludes  
14 the roll. Nadia?

15 MS. ZAKIR: Thank you, Alicia. Just a few  
16 logistical reminders. Committee members and speakers,

1 please mute your audio during the presentations, and  
2 please use the raised hand feature to ask a question,  
3 or you can also use the chat. For those of you  
4 dialing in, if you'd like to ask a question or make a  
5 comment, please refer to the meeting instructions.  
6 I'll recognize members obviously who'd like to speak.  
7 If you are speaking, please remember to state your  
8 name and firm.

9       So, turning to today's agenda, our first order of  
10 business is a status report and the SOFR First  
11 recommendation from the Interest Rate Benchmark Reform  
12 Subcommittee, followed by final papers from the CCP  
13 Risk and Governance Subcommittee on DCO capital and  
14 skin-in-the-game and DCO stress testing and liquidity.  
15 MRAC members, as a reminder, we'll be voting on the  
16 Interest Rate Benchmark SOFR First initiative and CCP

1 Risk and Governance papers, and, therefore, questions  
2 will be taken after I call for discussion on the  
3 Interest Rate Benchmark Reform Subcommittee's  
4 recommendations and each respective CCP Risk and  
5 Governance paper.

6 With that, we'll start with the Interest Rate  
7 Benchmark Reform Subcommittee. Many thanks again to  
8 the Subcommittee and to the chair, Tom Wipf, Vice  
9 Chairman, Institutional Securities at Morgan Stanley,  
10 and Chair of the Alternative Reference Rates  
11 Committee, for the great work done thus far. Tom,  
12 please provide your report.

13 MR. WIPF: Thank you very much, Nadia, and good  
14 morning, everyone. An honor to be presenting again in  
15 front of the Market Risk Advisory Committee on behalf  
16 of the Subcommittee on Interest Rate Benchmark Reform.

1 For those I haven't met, Tom Wipf, Vice Chair of  
2 Institutional Securities at Morgan Stanley, and  
3 representing the firm as chair of the ARRC, as well as  
4 a board member of ISDA. I'd like to take a moment to  
5 thank Acting Chairman Behnam, Alicia Lewis, Nadia  
6 Zakir, the MRAC, and the rest of the CFTC for their  
7 continued support of our subcommittee.

8 I'll first begin by recapping the key  
9 developments in the LIBOR transition that have  
10 occurred since we last spoke in February of 2021 when  
11 we were discussing the proposals, as you recall, from  
12 the CCPs regarding the conversion mechanics of LIBOR  
13 trades around the time of cessation. In March of this  
14 year, the end game for LIBOR across all 35 settings  
15 became clear, thanks to a formal announcement of  
16 cessation from the FCA in the U.K. The FCA confirmed

1 that all LIBOR settings will either cease or be  
2 provided -- or cease to be provided by any  
3 administrator or no longer be representative  
4 immediately after December 31st, 2021, in the case of  
5 all sterling, euro, Swiss franc, and Japanese yen  
6 settings, and the one-week and two-month U.S. dollar  
7 LIBOR settings, and immediately after June 30th of  
8 2023, in the case of the remaining U.S. dollar  
9 settings.

10 In addition to providing the market with further  
11 clarity, this announcement also served to fix the  
12 spread adjustments that are contractually embedded  
13 into the ISDA fallback language. With this  
14 development, market participants gained complete  
15 information about the relationship between LIBOR and  
16 the risk-free rates across each tenor and currency,

1 and derivatives markets have gravitated towards these  
2 fallback levels for pricing of LIBOR forward curves.  
3 Separately, in March, the New York State legislature  
4 passed a bill to reduce risks associated with the  
5 transition away from U.S. dollar LIBOR by overriding  
6 certain tough legacy contracts governed by New York  
7 law. This legislation will be crucial in minimizing  
8 legal uncertainty and adverse economic impacts  
9 associated with this transition, thus providing  
10 greater clarity to investors, businesses, and  
11 consumers as the financial system moves away from  
12 LIBOR. The ARRC commended this work by the New York  
13 State legislature for taking this important step to --  
14 again, to reduce the risks associated with these  
15 remaining tough legacy contracts.

16 Similar bills have been discussed at the

1 congressional level, and those discussions remain  
2 ongoing. However, the New York State bill, in  
3 conjunction with the ISDA protocol, have provided a  
4 commercially reasonable path forward for a significant  
5 majority of LIBOR legacy exposures. A key workstream,  
6 additionally, that the ARRC has been focusing on since  
7 the last MRAC meeting has been the successful delivery  
8 of a SOFR term rate. The ARRC has convened a Term  
9 Rate Task Force to drive that strategy for its term  
10 rate work by identifying liquidity and other criteria,  
11 consistent with a recommendation for a SOFR term rate.  
12 The Task Force has helped to clarify many of the  
13 outstanding questions around the timeline for a  
14 recommendation of a SOFR term rate, and we will begin  
15 to connect and intersect the importance of this, as  
16 well as the importance of SOFR First and how those

1 things intersect.

2       So, in April, the ARRC published key principles  
3 for an ARRC-recommended term rate, including that this  
4 rate should meet the ARRC's criteria for alternative  
5 reference rates similar to SOFR itself; that it be  
6 rooted in a robust and sustainable base of derivatives  
7 transactions over time, to ensure that its use as a  
8 reference rate is consistent with best practices and  
9 the ARRC standards; and have a limited scope of use to  
10 avoid use that is not in proportion to the depth of  
11 transactions in the underlying derivative market, use  
12 that materially detracts from volumes in the  
13 underlying SOFR-linked derivatives transactions that  
14 are relied upon to construct those curves, making the  
15 term rate potentially unstable over time, or avoiding  
16 some of the pitfalls that we -- that we learned about

1 LIBOR.

2       In May, this group further described the market  
3 indicators that the ARRC will rely on in order to  
4 officially recommend a SOFR term rate. These  
5 indicators include continued growth in overnight SOFR-  
6 linked derivatives volumes; visible progress that  
7 deepens SOFR derivatives liquidity, consistent with  
8 ARRC best practices; offering electronic market making  
9 and execution in SOFR swaps and swap spreads; changing  
10 the market convention for quoting USD derivative  
11 contracts from LIBOR to SOFR, which we'll touch on in  
12 the next part of this discussion; making markets and  
13 SOFR-linked interest rate volatility products,  
14 including swaptions, caps, and floors; and a visible  
15 growth in offerings of cash products, including loans  
16 linked to averages of SOFR, compounded either in

1 advance or in arrears.

2       The ARRC's view at the time with these -- was  
3 that these market indicators were readily achievable,  
4 and, in some cases, the market had begun to achieve  
5 them naturally at the time of publication. However,  
6 one indicator that was viewed as particularly  
7 challenging to implement, was the changing of market  
8 convention for quoting U.S. derivative contracts from  
9 LIBOR to SOFR, and this became the key focus of the  
10 MRAC Subcommittee. And I'll discuss shortly the work  
11 done by the Subcommittee to accomplish this milestone,  
12 which we refer to as SOFR First.

13       Lastly, the ARRC announced that it selected the  
14 CME Group as the administrator for a SOFR term rate,  
15 which CME has been publishing since earlier this year,  
16 so combining these various factors brings clarity to

1 the path to term SOFR. Once the indicators are met,  
2 the ARRC will recommend CME's published rate. The  
3 recommendation of a SOFR term rate is the final step  
4 in the ARRC's base transition plan and will serve as a  
5 critical milestone for the market's transition away  
6 from LIBOR to SOFR. So, we're going to turn to page 1  
7 of the presentation materials, and I'll provide a  
8 brief overview of the subcommittee SOFR First  
9 recommendation.

10 If we could just go to the first slide. Thank  
11 you very much.

12 So, again, this is a brief overview of the  
13 subcommittee's SOFR First recommendation. So, as I  
14 mentioned a moment ago, the MRAC subcommittee has  
15 focused its attention on changing the market  
16 convention for quoting U.S. dollar derivatives

1 contracts from LIBOR to SOFR. Such a convention  
2 switch would not only satisfy the ARRC's market  
3 indicator for a term SOFR rate recommendation, but  
4 would also accelerate the transition of derivatives  
5 liquidity from LIBOR to SOFR.

6       The subcommittee approached its SOFR First  
7 recommendation in a very methodical and deliberate  
8 way, benefiting from our diverse membership, to ensure  
9 that all market segments agreed that this was the most  
10 prudent path forward. We decided to focus on the  
11 inter-dealer market only and to exclude dealer-to-  
12 customer transactions from the scope of our  
13 recommendations. Our thinking in this approach was  
14 that dealers and brokers are sophisticated market  
15 participants that already have the requisite  
16 operational capacities to process SOFR derivative

1 trading at scale, and, additionally, given their roles  
2 as intermediaries, any change to dealer market  
3 behavior should flow to other segments naturally.  
4 Further, we decided to focus our in -- our initial  
5 efforts for a SOFR First transaction on the linear  
6 swaps market because increased SOFR liquidity in this  
7 market will have knock-on benefits for other impacted  
8 markets, like cross-currency swaps, non-linear  
9 derivatives, and exchange-traded derivatives.

10 Our guiding principle -- our first principle of  
11 selecting a date and methodology by which to execute  
12 this transition, was to be ambitious, but practical,  
13 and engage in a robust communication strategy to  
14 ensure all relevant market participants understand the  
15 nature of our transaction. As an initial step, the  
16 subcommittee distributed a survey to several prominent

1 inter-dealer brokers to understand if there were any  
2 technological constraints that would limit success of  
3 the transition in the near term. All brokers  
4 confirmed that they are operationally capable of  
5 processing SOFR transactions. The gating factor was  
6 more market behavior and liquidity.

7       Next, the subcommittee carefully selected a date  
8 and scope for our recommendation. Recognizing that  
9 there is supervisory guidance from U.S. regulators to  
10 cease entering into new contracts that use U.S. dollar  
11 LIBOR as soon as practicable, and, in any event, by  
12 December 31st, 2021, we wanted to pick a date in the  
13 near term. We viewed the third quarter as optimal to  
14 avoid any cliff-edge effects in derivatives liquidity  
15 that could arise in the fourth quarter. In other  
16 words, we wanted to build a reasonably long runway

1 that could meet that end-of-year deadline. We wanted  
2 to make sure that markets were not ill-prepared to  
3 meet the 2021 supervisory guidance, so that runway was  
4 designed to get us to end of 2021 with a -- with a  
5 manageable runway.

6 We wanted to pick a date that avoided any  
7 material data releases that might create market  
8 turbulence, that avoided announcements of monetary  
9 policy, and avoided the last few weeks of summer,  
10 which are often characterized by lower market  
11 liquidity. So, the subcommittee agreed that July 26th  
12 was an ideal date to encourage inter-dealer brokers to  
13 replace trading of LIBOR linear swaps with the trading  
14 of SOFR linear swaps. Additionally, because there are  
15 certain market dependencies on LIBOR broker screens,  
16 including for internal curve construction and end-user

1 transparency, the subcommittee recommended keeping  
2 inter-dealer broker screens for LIBOR linear swaps  
3 available for informational purposes, but not for  
4 trading activity until October 22nd, 2021, as Acting  
5 Chair Behnam mentioned. At this date, these screens  
6 should be turned off altogether.

7       Shortly after the subcommittee voted to approve  
8 this recommendation to the MRAC for its consideration,  
9 the subcommittee published a press release and a  
10 company -- accompanying FAQ document describing our  
11 recommendation. The ARRC publicly applauded the  
12 subcommittee recommendation, and firms on both  
13 committees have shared the public documents with their  
14 stakeholders and clients to ensure a broad awareness  
15 and understanding of this initiative. So, we would  
16 also like to thank several U.S. regulators, including

1 Chairman Behnam, for the supportive comments on the  
2 subcommittee's recommendations, which have further  
3 helped our communication efforts.

4       After the subcommittee published its  
5 recommendation for SOFR First for linear swaps which  
6 is planned to occur later this month, the group also  
7 began to discuss similar SOFR First transitions for  
8 other impacted products. To further our goal of an  
9 orderly transition from LIBOR to SOFR across the  
10 derivatives market, the subcommittee voted to extend  
11 its SOFR First recommendation to cross-currency swaps,  
12 non-linear derivatives, and exchange-traded  
13 derivatives, and that would be in a phased approach.  
14 The subcommittee recommends that these additional  
15 transition events occur in a phased rollout beginning  
16 with cross-currency swaps on September 21st and other

1 products at dates to be determined by the subcommittee  
2 based on market conditions. It's important that all  
3 four phases of SOFR First occur prior to December  
4 31st, 2021.

5       The subcommittee has been pleased with the market  
6 reception of our recommendation, and all indications  
7 at this time, point to a successful completion of  
8 Phase 1 on July 26th. We expect that this milestone  
9 will provide a significant boost to SOFR derivatives  
10 liquidity, and we look forward to keeping the MRAC  
11 apprised of any -- this and other ongoing  
12 developments. So, the subcommittee submits its SOFR  
13 First recommendation, inclusive of all four phases, to  
14 the MRAC for consideration today.

15       At this time, we welcome feedback, and I'll pass  
16 back to Nadia. The MRAC and CFTC's guidance has been

1   incredibly helpful to our work so far. We look  
2   forward to further collaboration, again, in our  
3   submission. We would, again, like to thank Acting  
4   Chair Behnam, Alicia Lewis, Nadia Zakir, the MRAC, and  
5   all of our members of our subcommittee for this -- for  
6   this opportunity to do this work. And I'd now like to  
7   pass the call back to Nadia.

8           MS. ZAKIR: Thank you, Tom. Before we open the  
9   floor for discussion, I'd like to entertain a motion  
10  for the MRAC to adopt the subcommittee's SOFR First  
11  recommendation and refer the initiative to the  
12  Commission for consideration. Since the chair of the  
13  Subcommittee is not an MRAC member, a motion is  
14  required from the MRAC membership. Is there a motion?

15           MR. BERNER: So moved.

16           MS. ZAKIR: Thank you.

1 MS. LEWIS: Who was that that said, "so moved?"

2 MR. BERNER: It was Dick Berner, Alicia. Thank  
3 you.

4 MS. LEWIS: Okay. Thank you.

5 MS. ZAKIR: Thank you, Dick. Is there a second?

6 MR. SHANAHAN: I'd like to second. Jim Shanahan,  
7 CoBank.

8 MS. ZAKIR: Thank you. It has been moved and  
9 properly seconded that the MRAC adopt the Interest  
10 Rate Benchmark Reform Subcommittee's SOFR First  
11 recommendation, and that the MRAC submit the  
12 recommendation to the Commission for consideration.

13 At this time, I will open the floor to questions  
14 and comments from the MRAC membership on the  
15 subcommittee's report and recommendation. As a  
16 reminder, please use the raised hand feature to ask a

1 question or use the chat. For those of you dialing  
2 in, please refer to the meeting instructions if you'd  
3 like to speak.

4 Perhaps I can kick off the discussion by stating  
5 that the work of the ARRC and of the MRAC Interest  
6 Rate Benchmark Reform Subcommittee, which has  
7 supplemented the work of the ARRC, has been critical  
8 and instrumental to the transition of LIBOR thus far.  
9 And as we head closer to the end of the year, the  
10 market, now more than ever, needs certainty and  
11 prescriptive guidance to ensure the timely transition  
12 away from LIBOR to the ARRC-recommended SOFR. With  
13 the year-end deadline looming, the development of  
14 depth and liquidity in the SOFR market during this  
15 fragile transition period is critical and necessary  
16 for the smooth transition away from LIBOR. Hundreds,

1 if not thousands, of institutions across the country  
2 have been preparing over the last several years for  
3 the transition of LIBOR to SOFR, and the time has come  
4 for market participants to embrace SOFR as LIBOR's  
5 replacement. Most critically, the continued focus and  
6 support from the public sector has been a key and  
7 powerful influence towards the adoption of an  
8 alternative reference rate, and the continuation of  
9 regulatory support for SOFR must continue for a timely  
10 and smooth transition. SOFR First is an important  
11 step toward achieving this important objective.

12 I'll now turn to some of our members here. Let  
13 me begin with Bis Chatterjee from Citigroup.

14 MR. CHATTERJEE: Thank you, Nadia. At Citi, we  
15 support the commitment regarding LIBOR transition and  
16 the subcommittee's recommendation on the SOFR First

1 Initiative. We're grateful to the subcommittee chair  
2 and the members for taking the lead on this important  
3 initiative, and thank the Commission, the Acting  
4 Chair, and the Commissioners for continuing to focus  
5 on this very important issue.

6 We think the success of this initiative would  
7 further benefit from the continuous consideration of  
8 the recommendation published in the memo of the ARRC's  
9 Capital and Liquidity Subgroup, especially as it  
10 relates to the G-SIB-related surcharges. We strongly  
11 encourage the subcommittee and the Commission to use  
12 this time to highlight this important aspect. Thank  
13 you, Nadia.

14 MS. ZAKIR: Thank you, Bis. I'll now turn to  
15 Eileen Kiely from BlackRock.

16 MS. KIELY: Thank you, Nadia. I would like to

1 take this opportunity to voice BlackRock's support for  
2 the subcommittee's recommendation on the SOFR First  
3 Initiative. Prioritizing SOFR and inter-dealer  
4 trading is a significant step forward in building SOFR  
5 swaps liquidity for the buy side, thereby decreasing  
6 the overall market's reliance on LIBOR. SOFR First  
7 not only promotes the liquidity of SOFR but alleviates  
8 uncertainty in markets by guiding investment processes  
9 toward a solution. The subcommittee's work to date,  
10 and future work to complete subsequent phases of the  
11 SOFR First Initiative, is critically important in  
12 furthering progress to the transition away from LIBOR.  
13 Thank you.

14 MS. ZAKIR: Thank you, Eileen. Marnie Rosenberg,  
15 JP Morgan?

16 MS. ROSENBERG: Good Morning, everyone. JPMorgan

1 Chase & Co. supports the MRAC subcommittee's SOFR  
2 First Initiative for transitioning U.S. dollar inter-  
3 dealer swap market trading from LIBOR to SOFR. SOFR  
4 First, inclusive of all (AUDIO GLITCH) in the  
5 transition away from LIBOR and promote (AUDIO GLITCH)  
6 SOFR adoption. We commend CFTC Acting Chair Behnam  
7 (AUDIO GLITCH). Since 2014, JPMC has been deeply  
8 engaged as a member of the ARRC to promote a smooth  
9 transition away from LIBOR. Additionally, JPMC has  
10 been engaged with the MRAC subcommittee and the ARRC  
11 to advance the SOFR First Initiative. We strongly  
12 support SOFR First and encourage all market  
13 participants to adopt the recommended best practices  
14 for inter-dealer brokers to change U.S. dollar linear  
15 swap trading convention from U.S. dollar LIBOR to SOFR  
16 on July 26th, and turn off inter-dealer broker LIBOR

1 linear swap screens after October 22nd of this year.

2 U.S. banking regulators issued supervisory  
3 guidance urging no new U.S. dollar LIBOR legacy  
4 contracts, including derivatives, by this year end,  
5 which is five months until the no-new-LIBOR deadline.

6 It's important that market participants adopt SOFR  
7 conventions for linear derivatives on July 26th, and  
8 cross-currency swap, non-linear derivatives, and  
9 exchange-traded products later this year. As a market  
10 leader in the derivatives market as a dealer, both  
11 inter-bank and with end-user clients, at JPMC, our  
12 focus has been on accelerating the transition to SOFR.  
13 We've been streaming a full curve of SOFR interest  
14 rate swaps to the leading dealer-to-client platforms  
15 for well over a year and, as of last month, are doing  
16 the same for SOFR swap spreads. The final step in the

1 ARRC transition plan is the creation of a term  
2 reference rate based on the SOFR derivatives market.

3       Today's MRAC vote and market adoption of SOFR  
4 First is a critical step towards ensuring robust  
5 underlying liquidity in SOFR derivative markets. As  
6 the ARRC and regulators have noted, once the  
7 convention switch is in place, the ARRC expects that  
8 its market indicators for a SOFR term rate will have  
9 been met, allowing the ARRC to formally endorse the  
10 CME SOFR term rate very shortly thereafter. The ARRC  
11 endorsement of SOFR term rates will help support  
12 market participants' transition to SOFR by year end.  
13 Thank you.

14       MS. LEWIS: Thank you, Marnie. Dick Berner, NYU  
15 Stern School of Business?

16       MR. BERNER: Thank you, Nadia. I just want to

1 echo my thanks to Tom Wipf for his leadership and to  
2 Acting Chair Behnam for his leadership on the MRAC for  
3 this initiative. Echoing some of the comments from my  
4 colleagues, it's pretty clear that the recommendation  
5 of the SOFR term rate by ARRC is really contingent on  
6 successful implementation of the SOFR First  
7 Initiative. This will jumpstart the process, and, by  
8 providing certainty, help both derivatives markets and  
9 the cash markets exit LIBOR safely. And as Tom  
10 mentioned, this critical and last piece of the puzzle  
11 will give us a five-month runway as we approach the  
12 supervisory guidance provided of no-new-LIBOR at the  
13 end of this year. Thank you.

14 MS. ZAKIR: Thank you, Dick. James Shanahan,  
15 CoBank, ACD?

16 MR. SHANAHAN: On behalf of CoBank, I'd like to

1 thank all the members of the SOFR Liquidity Work Group  
2 for recognizing the need to assist the inter-dealer  
3 market to make the move to SOFR and as soon as  
4 possible. We'd also like to commend them on  
5 development of a thoughtful proposal to that end. We  
6 also hope that this proposal will speed the adoption  
7 of alternative reference rates in other derivative and  
8 cash markets. And finally, we feel this proposal, if  
9 adopted, should facilitate the ARRC's endorsement of  
10 the CME term rate as the next big step in making the  
11 transition from U.S. dollar LIBOR. For these reasons,  
12 CoBank supported the SOFR First Initiative in the  
13 Interest Rate Benchmark Reform Committee, and I plan  
14 to support the SOFR First proposal today. Thank you.

15 MS. ZAKIR: Thank you, James. I don't believe I  
16 see any other questions from any of the members, so we

1 will now take a vote on the motion that the MRAC adopt  
2 the subcommittee's SOFR First recommendation and  
3 submit the recommendation to the Commission for  
4 consideration. As a point of order, a simple majority  
5 vote is necessary for the motion to pass. Alicia,  
6 I'll turn it over to you to conduct the roll call.

7 MS. LEWIS: Before I start the roll, I just  
8 wanted to give Peter Borish from Quad Group the  
9 opportunity to state his presence on the record.  
10 Peter?

11 (No response.)

12 MS. LEWIS: Unmute. Make sure you're not double  
13 muted.

14 MR. BORISH: Present.

15 MS. LEWIS: Thank you.

16 MR. BORISH: Ah, okay. That works. Thanks.

1 MS. LEWIS: Yes. So now, you can go back on  
2 mute. Thank you, Nadia. Committee Members, when I  
3 call your name, please indicate your agreement with  
4 "aye," disagreement with "Nay," or indicate "abstain"  
5 if you are abstaining from the vote. Please remember  
6 to unmute your audio to indicate your vote and to mute  
7 your audio once you have finished voting. Okay.

8 Salman Banaei, IHS Markit?

9 MR. BANAEI: Aye.

10 MS. LEWIS: Salman Banaei, IHS Markit votes aye.  
11 Stephen Berger, Citadel?

12 MR. BERGER: Aye.

13 MS. LEWIS: Stephen Berger votes aye.

14 Dick Berner?

15 MR. BERNER: Aye.

16 MS. LEWIS: Dick Berner votes aye.

1 Lee Betsill, CME Group?

2 MR. BETSILL: Hi, Alicia. On behalf of CME  
3 Group, I support the initiative and vote aye.

4 MS. LEWIS: Lee Betsill votes aye.

5 Peter Borish, Quad Group?

6 MR. BORISH: Aye.

7 MS. LEWIS: Peter Borish votes aye.

8 Bis Chatterjee, Citi?

9 MR. CHATTERJEE: Aye.

10 MS. LEWIS: Bis Chatterjee votes aye.

11 Alicia Crighton, FIA?

12 MS. CRIGHTON: Aye.

13 MS. LEWIS: Alicia Crighton votes aye.

14 Chris Dickens, HSBC?

15 MR. DICKENS: Hi, Alicia. I vote aye.

16 MS. LEWIS: Chris Dickens votes aye.

1 Shelly Goodwin, BP IST, Global America?

2 MS. GOODWIN: Aye.

3 MS. LEWIS: Shelly Goodwin votes aye.

4 Matthias Graulich, Eurex Clearing?

5 MR. GRAULICH: Aye.

6 MS. LEWIS: Matthias Graulich votes aye.

7 Frank Hayden, Calpine Corporation?

8 MR. HAYDEN: Frank Hayden votes aye.

9 MS. LEWIS: Frank Hayden votes aye.

10 Amy Hong, Goldman Sachs?

11 MS. HONG: Aye.

12 MS. LEWIS: Amy Hong votes aye.

13 Lindsay Hopkins, Minneapolis Grain Exchange?

14 MS. HOPKINS: Aye.

15 MS. LEWIS: Lindsay Hopkins votes aye.

16 David Horner, LCH Limited?

1 MR. HORNER: Aye.

2 MS. LEWIS: David Horner votes aye.

3 Annette Hunter, Federal Home Loan Bank of  
4 Atlanta?

5 MS. HUNTER: Aye.

6 MS. LEWIS: Annette Hunter votes aye.

7 Angie Karna, Nomura Global Financial Products?

8 MS. KARNA: Aye.

9 MS. LEWIS: Angie Karna votes aye.

10 Demetri Karousos, Nodal Exchange?

11 MR. KAROUSOS: Aye.

12 MS. LEWIS: Demetri Karousos votes aye.

13 Eileen Kiely, BlackRock?

14 MS. KIELY: Aye.

15 MS. LEWIS: Eileen Kiely votes aye.

16 Elisabeth Kirby, Tradeweb?

1 MS. KIRBY: Aye.

2 MS. LEWIS: Elisabeth Kirby votes aye.  
3 Derek Kleinbauer, Bloomberg SEF?

4 MR. KLEINBAUER: Aye.

5 MS. LEWIS: Derek Kleinbauer votes aye.  
6 Laura Klimpel, DTCC?

7 MS. KLIMPEL: Aye.

8 MS. LEWIS: Laura Klimpel votes aye.  
9 Rob Mangrelli, Chatham Financial?

10 MR. MANGRELLI: Aye.

11 MS. LEWIS: Rob Mangrelli votes aye.  
12 Kevin McClear, Intercontinental Exchange?

13 MR. MCCLEAR: Aye.

14 MS. LEWIS: Kevin McClear votes aye.  
15 Craig Messinger, Virtu Financial?

16 MR. MESSINGER: Aye.

1 MS. LEWIS: Craig Messinger votes aye.  
2 Dale Michaels, The Options Clearing Corporation?  
3 MR. MICHAELS: Aye.  
4 MS. LEWIS: Dale Michaels votes aye.  
5 John Murphy, Commodity Markets Council?  
6 MR. MURPHY: Aye.  
7 MS. LEWIS: John Murphy votes aye.  
8 Sam Priyadarshi, Vanguard?  
9 DR. PRIYADARSHI: Aye.  
10 MS. LEWIS: Sam Priyadarshi votes aye.  
11 Marnie Rosenberg, JP Morgan?  
12 MS. ROSENBERG: Aye.  
13 MS. LEWIS: Marnie Rosenberg votes aye.  
14 Jim Shanahan, CoBank?  
15 MR. SHANAHAN: Aye.  
16 MS. LEWIS: Jim Shanahan votes aye.

1 Betty Simkins?

2 DR. SIMKINS: Aye.

3 MS. LEWIS: Betty Simkins votes aye.

4 Tyson Slocum, Public Citizen?

5 MR. SLOCUM: Aye.

6 MS. LEWIS: Tyson Slocum votes aye.

7 Madam Chair, you have 31 "yes" votes, no "no"  
8 votes -- zero "no" votes, and zero abstentions.

9 MS. ZAKIR: Thank you, Alicia. The ayes have it,  
10 and the motion carries.

11 The Interest Rate Benchmark Reform Subcommittee  
12 SOFR First recommendation has been -- has been adopted  
13 by the MRAC and will be submitted to the Commission  
14 for consideration. Thank you, Tom.

15 MR. WIPF: Thank you, Nadia, and thank you to the  
16 MRAC, the work of the subcommittee, the CFTC Acting

1 Chair Behnam, Alicia Lewis. And I'd like to give a  
2 special thanks to my colleague, Matt Oaks, who did  
3 amazing work on coordinating this effort. So, thank  
4 you to all involved, and we appreciate the support.  
5 Thanks very much.

6 MS. ZAKIR: Thank you. We will move on to the  
7 report of the CCP Risk and Governance Subcommittee.  
8 Alicia Crighton representing the FIA and Lee Betsill  
9 from the CME are the co-chairs. Alicia and Lee, I  
10 will turn it over to you.

11 MR. BETSILL: Thank you very much, Nadia. Good  
12 morning to all. I'd like to start by thanking Acting  
13 Chairman Behnam, the Commissioners, Alicia Lewis, you,  
14 Nadia, and the rest of the MRAC, for allowing Alicia  
15 and I to provide a final update on the work of the  
16 MRAC's CCP Risk and Governance Subcommittee. By way

1 of introduction, I'm Lee Betsill. I'm Chief Risk  
2 Officer at CME Group, and together with Subcommittee  
3 Co-Chair Alicia Crighton, Co-Head, Global Features,  
4 and head of OTC and Prime Clearing, Goldman Sachs,  
5 representing the Futures Industry Association, we've  
6 had the honor of leading discussions on issues  
7 relating to CCP risk and governance.

8         The MRAC established the CCP Risk and Governance  
9 Subcommittee to provide reports and recommendations  
10 directly to the MRAC regarding current topics relating  
11 to CCP risk management and governance practices. The  
12 role of CCPs in providing safeguards to the broader  
13 financial system as it relates to derivatives trading  
14 has been recognized by global regulatory bodies, and  
15 the G20 has committed to promoting central  
16 counterparty clearing following the 2008 global

1 financial crisis. Since that time and through  
2 industry efforts, CCPs have proven successful in their  
3 role of mitigating counterparty risk, not least during  
4 the market events of 2020 as a result of the  
5 realization and the economic impacts caused by the  
6 COVID pandemic.

7       CCPs, together with their clearing member and  
8 participant communities, continue to focus on  
9 incremental enhancements to their risk management  
10 practices. With this in mind, we would like to thank  
11 the MRAC for recognizing the importance of these  
12 topics, and, further, to thank the entire Subcommittee  
13 on CCP Risk and Governance for its tireless work in  
14 formulating the recommendations and reports. We are  
15 pleased to provide a final update on the work of the  
16 Subcommittee and submit two papers for the MRAC's

1 consideration and vote today.

2           By way of background, before we move into -- to  
3 the papers, I would like to state that in February of  
4 2021, the MRAC subcommittee submitted two papers for  
5 review and vote. They were recommendations regarding  
6 CCP margin methodologies and recommendations on CCP  
7 governance and a summary of clearing member, end user,  
8 and CCP perspectives. Subsequent to that meeting, the  
9 committee has continued its discussions on four  
10 remaining workstreams. Those are: liquidity and  
11 stress testing, capital and skin-in-the-game,  
12 transparency and default management. The workstreams  
13 on liquidity and stress testing, as well as CCP  
14 capital and skin-in-the-game, have concluded, and we  
15 submit these work papers for your review and  
16 consideration today.

1           For the workstream, regarding transparency, while  
2 a significant amount of discussion and effort were put  
3 into discussions on this important topic, the  
4 subcommittee agreed that industry efforts on enhancing  
5 the CCP public quantitative disclosure framework  
6 already underway, including those led by SIFMA, AMG  
7 and CCP12, are the right forum for the continued  
8 discussion on this important topic. We recommend that  
9 the MRAC monitor discussion and output from that  
10 effort. Similarly, regarding CCP default management,  
11 while the subcommittee discussed the 2016 MRAC  
12 submission on default management at length and noted  
13 progress made against recommendations from that paper,  
14 it was similarly agreed amongst subcommittee members  
15 that the MRAC monitor industry efforts being carried  
16 out jointly by CCP12, ISDA, and FIA on establishing

1 best practices for default management of CCPs.

2       Again, we extend our deepest gratitude to the  
3 entire CCP Risk and Governance Subcommittee, and  
4 especially those who volunteered as workstream leads,  
5 for their dedication and effort to advance discussion  
6 and debate on these important topics, which are  
7 critical to the safety and soundness of clear  
8 derivatives markets. I would now like to turn it over  
9 to my co-chair on the CCP Risk and Governance  
10 Subcommittee, Alicia Crighton, to present the report  
11 on CCP capital and skin-in-the-game. Alicia?

12       MS. CRIGHTON: Great. Thanks very much, Lee. As  
13 Lee said, I'll be providing an update and a report on  
14 CCP capital and skin-in-the-game.

15       MS. LEWIS: Alicia, please turn on your camera.  
16 Could you please turn on your camera?

1 MS. CRIGHTON: Yep, it's on, I think.

2 MR. BETSILL: I can see you, Alicia. I can see  
3 Alicia.

4 MS. LEWIS: Okay. Excellent.

5 MS. CRIGHTON: Okay. Is that -- is that okay  
6 now?

7 MS. LEWIS: Yes.

8 MS. CRIGHTON: Great. Thanks. This report of  
9 the subcommittee on recommendations regarding DCO  
10 capital and skin-in-the-game reflects the collective  
11 work of subcommittee members to identify and analyze  
12 issues related to the capital framework for CCPs that  
13 are subject to regulation by the CFTC as derivatives  
14 clearing organizations, and to identify areas of  
15 policy agreement to the MRAC, based on that work. The  
16 report was drafted by a subset of MRAC members

1 representing DCOs, clearing members, and end-users --  
2 the latter two groups collectively referred to herein  
3 as "market participants" -- as well as one  
4 independent.

5       The report covers four areas of discussion: DCO  
6 skin-in-the-game, DCO non-default losses, DCO capital  
7 available to address losses exceeding the Default  
8 Fund, including assessments, and ex-ante resources for  
9 addressing a DCO's resolution. The report sets forth  
10 agreed-upon policy views across certain elements of a  
11 DCO's capital framework, some of which represent  
12 current practices of some DCOs, and we have noted in  
13 the report the topics discussed where agreement could  
14 not be reached. I will now briefly review the  
15 discussion topics, the first on skin-in-the-game.

16       There was broad agreement among subcommittee

1 members that the primary purpose of skin-in-the-game  
2 is to incentivize management of market and other  
3 risks, rather than serve as a significant resource to  
4 absorb losses arising from a clearing member's  
5 default. Such primary loss-absorbing resources should  
6 be paid in by the defaulter in the form of initial  
7 margin and its default fund contribution. Global  
8 regulatory bodies, including the Financial Stability  
9 Board, have highlighted that skin-in-the-game should  
10 not be considered a significant loss-absorbing  
11 resource. No agreement, unfortunately, was reached on  
12 prescribing skin-in-the-game and to use specific  
13 regulatory text, as well as we were unable to reach  
14 agreement on language regarding rules to require DCOs  
15 to contribute a specific amount of skin-in-the-game.  
16 On the latter point, discussions considered the

1 relative merits of establishing a risk-based sizing  
2 for skin-in-the-game versus considering -- versus  
3 considering skin-in-the-game sizing to reflect  
4 different DCO business models or risk management  
5 approach. And, as indicated, no agreement was  
6 reached.

7 I'll move to topic two, which is non-default  
8 losses. Subcommittee members agreed that DCOs should  
9 maintain appropriately sized capital requirements to  
10 cover non-default losses or NDLs for which they're  
11 responsible, and a DCO's default fund should not be  
12 used to cover these. In addition, there was broad  
13 agreement, consistent with financial market practices,  
14 that a DCO should not be responsible for losses  
15 arising from the failures of third-party custodians  
16 and settlement banks where the DCO has not acted

1 negligently or in bad faith in the selection and  
2 monitoring of such third parties. Subcommittee  
3 members also agreed that the DCOs should be  
4 responsible for certain types of NDLS, such as market  
5 value investment losses related to the investment of  
6 DCO directly, not only for customer funds, but also  
7 clearing members' own funds. In addition, there was  
8 broad agreement that DCOs' distinct operations present  
9 different NDLS profiles which should be considered.

10         Subcommittee members were, however, unable to  
11 agree on whether there should be more specific CFTC  
12 rules with respect to loss allocation for specific  
13 NDLS, or whether capital reserves should be set aside  
14 for such specific NDLS. We took into consideration  
15 and evaluated the relative merits of amendments to the  
16 existing CFTC NDLS rule requirements, versus addressing

1 a DCO's approach to NDLS within a rule book.

2       Topic three, residual DCO capital. Subcommittee  
3 members agreed in principle that, to the extent a  
4 DCO's losses exceed available resources after capped  
5 assessments have been made, that a DCO's shareholders  
6 should be solicited to contribute voluntarily to  
7 address such losses. Subcommittee members were unable  
8 to agree whether residual DCO equity at the end of the  
9 waterfall should be required to be used to address  
10 uncovered losses. And the last topic, DCO ex-ante  
11 resources, subcommittee members were unable to agree  
12 on whether it is appropriate to establish distinct ex-  
13 ante resources that would be available and resolution  
14 to continue to operate the resolved DCO, and noted  
15 that CCP resolutions do not fall under the  
16 jurisdiction of the CFTC.

1           That is a brief summary of the report that we  
2 have provided. And with that, by direction of the CCP  
3 Risk and Governance Subcommittee, I move that the  
4 Subcommittee's discussion paper on DCO capital and  
5 skin-in-the-game be adopted by the MRAC and submitted  
6 to the consider -- Commission for consideration.

7           MS. ZAKIR: Thank you, Alicia. Since the motion  
8 is coming from the subcommittee, a second is not  
9 required here. Let me ask if there are any questions  
10 or comments on the report from any of our members.  
11 Remember to please either type in the chat or use the  
12 raised hand feature if you'd like to speak. Let me  
13 turn to Marnie Rosenberg.

14           (No response.)

15           MS. LEWIS: Marnie, you're still on mute.

16           MS. ROSENBERG: Can you hear me now?

1 MS. LEWIS: Yes.

2 MS. ROSENBERG: I'm dealing with a phone, and a  
3 computer. Okay. Thanks, Nadia and Alicia. JP Morgan  
4 commends Acting Chair Behnam for establishing the CCP  
5 Risk and Governance Subcommittee and supporting the  
6 development of actionable recommendations on this  
7 important topic. The subcommittee's discussions cover  
8 many of the issues that were highlighted within a  
9 white paper that JP Morgan, together with a group of  
10 (AUDIO GLITCH) firms, released in 2019, which proposed  
11 20 recommendations to enhance CCP's resilience  
12 recovery resolution.

13 Over the last 18 months, JP Morgan has supported  
14 and contributed to these efforts with the  
15 subcommittee, working collaboratively to develop  
16 recommendations across all the workstreams. Despite

1 the significant amount of time and effort invested by  
2 the members of the subcommittee, the subcommittee did  
3 not reach meaningful agreement on resolving many of  
4 the important issues, and this underscores the need  
5 for regulatory action. On margin, JP Morgan supported  
6 the recommendations intended to ensure that margin  
7 levels are robust, but as I highlighted at the  
8 February meeting, there's a need for a broader range  
9 of measures to address margin pro-cyclicality and  
10 prove disclosures on margin levels. On risk  
11 governance, JP Morgan supported the recommendations,  
12 but these recommendations did not go far enough to  
13 include that CCP should be required to formally  
14 consult with market participants prior to filing any  
15 material rule change with the CFTC, as is required in  
16 other major jurisdictions.

1           The two reports being presented to the MRAC today  
2 did not present actionable recommendations to the  
3 CFTC. On CCP capital, I'd reiterate our support to  
4 the views expressed in the 2019 white paper, namely  
5 that CCP contribution to the default waterfall should  
6 be increased to a more meaningful quantum. CCP should  
7 be well capitalized for non-default losses. Capital  
8 should be available as a last resort to absorb losses,  
9 and CCP should set aside recapitalization resources,  
10 such as long-term debt, that could be built in.

11           Importantly, and despite a significant amount of  
12 work, as already noted by the CCP transparency  
13 workstream, the subcommittee was unable to agree upon  
14 a report to be presented today. This is a truly  
15 missed opportunity. The importance of margin  
16 transparency and predictability has been well

1 acknowledged by all constituents, following the COVID  
2 crisis. The subcommittee challenges in breaking  
3 through the impasse and advancing recommendations on  
4 CCP transparency and capital underscores the need for  
5 regulatory action on these outstanding issues. Work  
6 on addressing the issues raised in the white paper  
7 remains critical unfinished business, and we stand  
8 ready to partner with regulators, policymakers, CCPs,  
9 and other market participants to further advance CCP  
10 risk and governance and strengthen the U.S. financial  
11 system. Thank you.

12 MS. ZAKIR: Thank you, Marnie. Okay. We will  
13 now take a vote on the motion that the MRAC adopt the  
14 subcommittee's discussion paper --

15 MS. LEWIS: Nadia? Nadia, I'm sorry to  
16 interrupt, but Dick Berner has his hand up.

1 MS. ZAKIR: Oh, okay. Great. Dick, please go  
2 ahead.

3 MR. BERNER: Thank you, Alicia, and thank you,  
4 Nadia. I just want to commend Acting Chair Behnam and  
5 the members of the subcommittee for establishing and  
6 participating in the subcommittee, and I'm very  
7 pleased to have had the opportunity to engage in  
8 constructive dialogue to advance CCP risk management  
9 and financial stability.

10 As others have mentioned, the papers do represent  
11 areas of agreement among subcommittee members.  
12 Notably, however, as Lee mentioned on CCP transparency  
13 and default management, agreement was lacking. So,  
14 despite hard work by all subcommittee members over the  
15 past 18 months, I think this represents a lost  
16 opportunity. All members say they support the broad

1 goals of the MRAC and of the subcommittee. In my  
2 view, therefore, failure to agree on needed  
3 recommendations reflects the asymmetric misalignment  
4 of incentives between many CCPs and clearing members  
5 that's manifested in their limited skin-in-the-game  
6 and overall insufficient resource levels, which,  
7 together with their lack of meaningful transparency,  
8 create safety and soundness risks that could  
9 jeopardize trust in the CCP and in derivatives  
10 markets. As I see it, the Commission must address  
11 this misalignment.

12 Further, and more important, in my view, the  
13 scope of the papers outline important financial  
14 stability goals. Among them, in stress periods,  
15 initial and variation margins surge pro-cyclically,  
16 liquidity evaporates, and CCP's actions to push the

1 cost of these developments onto clearing members can  
2 lead to fire sales. In addition, there are critical  
3 needs for strong protocols for recovery and  
4 resolution. The interconnectedness of CCPs means that  
5 resilience must be considered across CCPs and borders.  
6 Moreover, there's significant operational risks in  
7 CCPs that require significantly stepped-up resilience.  
8 Here, too, misaligned incentives could undermine  
9 financial stability, and the Commission must address  
10 these as well.

11 So I urge the Commission, in collaboration with  
12 the SEC, the Fed, and the FDIC in the U.S., and with  
13 relevant regulatory authorities abroad, to first  
14 implement the recommendations that are in the papers  
15 and go beyond them; second, address the misalignments  
16 represented by the paper's specific areas of

1 disagreement; third, address the market participants'  
2 perspectives on CCP transparency; and finally, bring  
3 to the Financial Stability Oversight Council  
4 recommendations for changes to increase the resilience  
5 of CCPs and the overall financial system. Thank you.

6 MS. ZAKIR: Thank you, Dick. I'll just go  
7 through one more time to see if there are any further  
8 questions or comments from the membership.

9 (No response.)

10 MS. ZAKIR: I'm not seeing any. We will now take  
11 a vote on the motion that the MRAC adopt the  
12 subcommittee's discussion paper on DCO capital and  
13 skin-in-the-game, and submit the report to the  
14 Commission for consideration. As a point of order, a  
15 simple majority vote is necessary for the motion to  
16 pass. I'll turn it over to you, Alicia, to conduct

1 the roll call.

2 MS. LEWIS: Thank you, Nadia. Committee Members,  
3 again, when I call your name, please indicate your  
4 agreement with "aye," your disagreement with "nay," or  
5 indicate "abstain" if you are abstaining from the  
6 vote. Please remember to unmute your audio to  
7 indicate your vote and to mute your audio once you  
8 have finished voting. And just to a point of clarity,  
9 Nadia as chair of the MRAC is not voting. She  
10 typically would vote if there is a tie, so she has an  
11 option should she want to vote -- to vote. However,  
12 in this instance, she has opted not to vote on the  
13 Interest Rate Benchmark Reform recommendation as well  
14 as the papers. Okay. So, again, please remember to  
15 unmute your audio to indicate your vote and to mute  
16 your audio once you have finished voting.

1 Salman Banaei, IHS Markit?

2 MR. BANAEI: Aye.

3 MS. LEWIS: Salman Banaei votes aye.

4 Stephen Berger, Citadel?

5 MR. BERGER: Aye.

6 MS. LEWIS: Stephen Berger votes aye.

7 Dick Berner?

8 MR. BERNER: Abstain.

9 MS. LEWIS: Dick Berner abstains.

10 Lee Betsill, CME Group?

11 MR. BETSILL: Aye.

12 MS. LEWIS: Lee Betsill votes aye.

13 Peter Borish, Quad Group?

14 MR. BORISH: Aye.

15 MS. LEWIS: Peter Borish votes aye.

16 Bis Chatterjee, Citi?

1 MR. CHATTERJEE: Aye.

2 MS. LEWIS: Bis Chatterjee votes aye.

3 Alicia Crighton, FIA?

4 MS. CRIGHTON: Aye.

5 MS. LEWIS: Alicia Crighton votes aye.

6 Chris Dickens, HSBC?

7 MR. DICKENS: I vote aye.

8 MS. LEWIS: Chris Dickens votes aye.

9 Shelly Goodwin, BP?

10 MS. GOODWIN: Aye.

11 MS. LEWIS: Shelly Goodwin votes aye.

12 Matthias Graulich, Eurex Clearing?

13 MR. GRAULICH: Aye.

14 MS. LEWIS: Matthias Graulich votes aye.

15 Frank Hayden, Calpine Corporation?

16 MR. HAYDEN: Aye.

1 MS. LEWIS: Frank Hayden votes aye.  
2 Amy Hong, Goldman Sachs?  
3 MS. HONG: Aye.  
4 MS. LEWIS: Amy Hong votes aye.  
5 Lindsay Hopkins, Minneapolis Grain Exchange?  
6 MS. HOPKINS: Aye.  
7 MS. LEWIS: Lindsay Hopkins votes aye.  
8 David Horner, LCH Limited?  
9 MR. HORNER: Aye.  
10 MS. LEWIS: David Horner votes aye.  
11 Annette Hunter, Federal Home Loan Bank of  
12 Atlanta?  
13 MS. HUNTER: Aye.  
14 MS. LEWIS: Annette Hunter votes aye.  
15 Angie Karna, Nomura Global Financial Products?  
16 MS. KARNA: Aye.

1 MS. LEWIS: Angie Karna votes aye.  
2 Demetri Karousos, Nodal Exchange?  
3 MR. KAROUSOS: Aye.  
4 MS. LEWIS: Demetri Karousos votes aye.  
5 Eileen Kiely, BlackRock?  
6 MS. KIELY: Aye.  
7 MS. LEWIS: Eileen Kiely votes aye.  
8 Elisabeth Kirby, Tradeweb?  
9 MS. KIRBY: Aye.  
10 MS. LEWIS: Elisabeth Kirby votes aye.  
11 Derek Kleinbauer, Bloomberg SEF?  
12 MR. KLEINBAUER: Aye.  
13 MS. LEWIS: Derek Kleinbauer votes aye.  
14 Laura Klimpel, DTCC?  
15 MS. KLIMPEL: Abstain.  
16 MS. LEWIS: Laura Klimpel abstained.

1 Rob Mangrelli, Chatham Financial?

2 MR. MANGRELLI: Aye.

3 MS. LEWIS: Rob Mangrelli votes aye.

4 Kevin McClear, Intercontinental Exchange?

5 MR. MCCLEAR: Aye.

6 MS. LEWIS: Kevin McClear votes aye.

7 Craig Messinger, Virtu Financial?

8 MR. MESSINGER: Aye.

9 MS. LEWIS: Craig Messinger votes aye.

10 Dale Michaels, The Options Clearing Corporation?

11 MR. MICHAELS: Aye.

12 MS. LEWIS: Dale Michaels votes aye.

13 John Murphy, Commodity Markets Council?

14 MR. MURPHY: Aye.

15 MS. LEWIS: John Murphy votes aye.

16 Sam Priyadarshi, Vanguard?

1 DR. PRIYADARSHI: Aye.

2 MS. LEWIS: Sam Priyadarshi votes aye.

3 Marnie Rosenberg, JP Morgan?

4 MS. ROSENBERG: Aye.

5 MS. LEWIS: Marnie Rosenberg votes aye.

6 Jim Shanahan, CoBank?

7 MR. SHANAHAN: Aye.

8 MS. LEWIS: Jim Shanahan votes aye.

9 Betty Simkins?

10 DR. SIMKINS: Aye.

11 MS. LEWIS: Betty Simkins votes aye.

12 Tyson Slocum, Public Citizen?

13 MR. SLOCUM: Abstain.

14 MS. LEWIS: Tyson Slocum abstained.

15 Madam Chair, you have -- wait, let me just make

16 sure of this again. Madam Chair, you have 28 "yes"

1 votes, zero "no" votes, and three abstentions.

2 MS. ZAKIR: Thank you, Alicia. The ayes have it,  
3 and the motion carries. The CCP Risk and Governance  
4 Subcommittee's discussion paper on DCO capital and  
5 skin-in-the-game has been adopted by the MRAC and will  
6 be submitted to the Commission for consideration.

7 Lee Betsill, I'll turn it over to you.

8 MR. BETSILL: Thank you. Thank you, Nadia. We'd  
9 now like to present the stress testing and liquidity  
10 paper, which is a result of discussion in  
11 subcommittee. Before I begin with a summary of the  
12 paper, I would ask that the committee note that a  
13 revised version of the report on stress testing and  
14 liquidity was circulated last night by Alicia Lewis.  
15 The updated voting draft of the -- of the paper  
16 reflects a technical change that had been made on page

1 2. The amended version eliminates the draft  
2 references to certain resources available to cover  
3 losses in default scenario. The reference regarding  
4 CCP resources was not within the scope of the  
5 subcommittee's remit on stress testing and liquidity  
6 and was not discussed.

7       So, with that being said, representatives on the  
8 MRAC subcommittee on CCP Risk and Governance, from  
9 derivatives clearing organizations, clearing members,  
10 and end-users, held multiple meetings to discuss their  
11 perspectives on CCP stress testing and liquidity.  
12 This paper reflects the collective work of the  
13 subcommittee in those meetings, including areas of  
14 consideration for the CFTC related to central  
15 counterparties stress testing and liquidity. It also  
16 identifies topics on which the members of the

1 subcommittee could not reach agreement. Consequently,  
2 the report does not make specific recommendations to  
3 the MRAC. However, there was broad agreement in the  
4 subcommittee that stress testing at DCOs is a critical  
5 element to ensuring the resilience of DCOs and the  
6 financial system. As such, many of the practices for  
7 stress testing by DCOs identified by the subcommittee  
8 are practices that are already employed by many DCOs  
9 today, particularly by systemically important DCOs and  
10 those who have elected to be Subpart C DCOs.

11 Despite areas of agreement, there remained areas  
12 in which the DCOs and market participants disagree. I  
13 would like to highlight areas of discussion and  
14 summarize them as follows. In the area of credits  
15 stress testing, it was broadly agreed that it is  
16 appropriate for most, if not all, DCOs to employ

1 stress tests that are designed to calibrate its  
2 financial resources to withstand the default of its  
3 two largest clearing members, that we refer to as a  
4 "Cover Two" standard. This is already required of  
5 systemically important DCOs and electing Subpart C  
6 DCOs. Therefore, the CFTC should consider whether the  
7 "Cover Two" standard should apply to all DCOs.

8         In the area of stress scenarios, stress testing  
9 should be aimed at identifying tail risk for CCPs that  
10 could be exposed by shocks in stress periods. A  
11 number of considerations and risks, such as liquidity,  
12 concentration, and correlation were identified in  
13 sizing financial resources for stress tests, if those  
14 considerations and risks are not sufficiently captured  
15 by initial margin. Furthermore, a relevant look-back  
16 period in such tests should be 30 years or the longest

1 period of available, reliable, and relevant data.

2           In the area of reverse stress testing, the  
3 subcommittee discussed that a DCO should consider  
4 analyzing its stress loss distribution by member and  
5 credit risk using reverse stress tests. In the area  
6 of stress period of risk, the subcommittee discussed  
7 that the stress period of risk should be at least  
8 equal to the margin period of risk, that is assumed  
9 when calculating relevant initial margin levels. As  
10 discussed in the paper, the stress period of risk  
11 could, in some instances, be longer than the margin  
12 period of risk, reflecting the stress-related increase  
13 in volatility and reduction in market liquidity.

14           On default fund resizing, the committee discussed  
15 that it is preferable for a DCO to regularly resize  
16 its default fund resources on a monthly, rather than

1 on a quarterly, basis. In the area of liquidity  
2 stress testing, there was broad agreement that  
3 liquidity risk management at DCOs is critical for both  
4 DCOs and the broader financial system. And in  
5 considering liquidity risk management, the following  
6 actions should be considered: to strive for global  
7 best practices, to promote a further global discussion  
8 on liquidity stress testing, and to promote global  
9 consistency across borders on what is considered  
10 liquid collateral.

11 On access to central bank accounts, it was agreed  
12 that CCP access to central bank accounts, with  
13 appropriate oversight and governance, should be  
14 broadened across jurisdictions. And finally, on the  
15 area of transparency, as it relates to stress testing  
16 and liquidity, the subcommittee discussed the merits

1 of DCOs providing greater transparency on matters  
2 related to stress testing. However, no agreement was  
3 established. The subcommittee did note the ongoing  
4 industrial -- the industry efforts, as I mentioned at  
5 the outset of my remarks, being carried out by CCP12,  
6 ISDA and FIA to provide enhanced transparency through  
7 the public quantitative disclosures.

8       So, that concludes my brief summary of the report  
9 that was submitted to the committee for consideration.  
10 And by direction of the CCP Risk and Governance  
11 Subcommittee, I move that the Subcommittee's  
12 discussion paper regarding DCO stress testing and  
13 liquidity be adopted by the MRAC and submitted to the  
14 Commission for consideration.

15       MS. ZAKIR: Thank you, Lee. Since the motion is  
16 coming from the subcommittee, a second is not

1 required. Are there any questions or comments on the  
2 report? I'm just going to scroll through here to give  
3 members a few minutes to raise their hand or please  
4 note in the chat if you have a question or would like  
5 to speak.

6 MS. LEWIS: Nadia, we have one hand raised,  
7 Eileen Kiely.

8 MS. ZAKIR: Yes. Eileen Kiely, BlackRock, please  
9 go ahead.

10 MS. KIELY: Thank you, Nadia. On behalf of  
11 BlackRock, I would like to thank the CFTC, the  
12 Commissioners, and staff for their support of MRAC,  
13 and the CCP Risk and Governance Subcommittee, in  
14 particular. The Subcommittee provides an important  
15 forum for market participants to discuss issues that  
16 impact BlackRock's financial investing clients. The

1 financial markets, more broadly and ultimately, impact  
2 financial stability. BlackRock has made its position  
3 on CCP risk well known. We believe that enhanced  
4 oversight of central counterparties is needed to  
5 better protect the investing public from the potential  
6 -- a potential CCP failure.

7       We have made this point in several CFTC-sponsored  
8 events, such as MRAC, and GMAC, and privately- and  
9 publicly-sponsored industry conferences, and BlackRock  
10 papers, which we call viewpoints, as well as in the  
11 often-cited industry white paper, co-authored in 2019  
12 by a number of major global financial institutions,  
13 and signed by 20 in total, called "A Path Forward for  
14 CCP Resilience, Recovery, and Resolution." This  
15 industry coalition paper has helped to shape the  
16 discussion of the CCP Risk Subcommittee over the past

1 18 months. It provided a framework under which some  
2 of these difficult discussions could be held. The  
3 CCPs, the clearing members, endusers, and even  
4 independent representatives were able to debate some  
5 controversial and divisive topics.

6 I, for one, am truly thankful to have had the  
7 opportunity to do so, and these debates did produce  
8 four papers, as we have heard, two in February, one  
9 margin and one on CCP governance, and two today on CCP  
10 liquidity and stress testing, as well as capital and  
11 skin-in-the-game. Perhaps the most impactful one,  
12 from my perspective, is the paper on governance where  
13 we were able to agree upon some material changes and  
14 even identify changes to specific Part 39 regulations  
15 that would move the governance needle forward by  
16 requiring CCP risk forums to broaden representation to

1 include endusers. We were not able to agree on other  
2 items, however. For example, we could not agree on  
3 establishing a feedback loop on market consultation  
4 that would ensure that CCPs solicit, consider, and  
5 ultimately report market feedback on relevant risk  
6 issues.

7 In the margin paper, we were able to agree on  
8 broad principles that should underpin a CCP's margin  
9 model, but we were unable to agree to introduce more  
10 prescriptive margin parameters on items like pro-  
11 cyclicity, for example. On stress testing and  
12 liquidity, we were able to agree on elements that  
13 should underpin a CCP's stress testing and its default  
14 management sites with default fund sizing. In fact, I  
15 would encourage the regulatory community to consider  
16 whether some of these elements should be incorporated

1 into regulation.

2 In the capital and skin-in-the-game paper, we  
3 were able to come to some very important agreements,  
4 including that skin-in-the-game should be set for  
5 incentive alignment, and not be considered a  
6 substitute for clearing member mutualized resources.  
7 But as we've heard, there were many areas of  
8 disagreement on this topic, including whether a CCP's  
9 skin-in-the-game should be governed by a more rigorous  
10 regulatory framework. I implore the global regulatory  
11 community to address this issue. Systemically  
12 important financial institutions, like central  
13 counterparties, should be subject to a more thoughtful  
14 capital framework.

15 Lastly, I would like to make a few comments on  
16 disclosure and transparency. We spent a significant

1 amount of time on this topic in the subcommittee, but  
2 were not able to come to any agreed-upon  
3 recommendations. Market participants believe they  
4 need more disclosure and transparency, while CCPs tend  
5 to believe they provide enough. We have just passed  
6 the five-year mark on the public quantitative  
7 disclosures, or PQDs, becoming available, and are  
8 approaching the 10-year anniversary of the qualitative  
9 PSMIs. I think this is a really good time for the  
10 regulatory community to take stock of these items that  
11 underpin the CCP disclosure framework to determine if  
12 they are still fit for purpose. Are they providing  
13 the market with the information they need to  
14 adequately assess the risks they're taking to CCPs?

15       While there are meaningful industry-led efforts  
16 underway, as Lee mentioned in his opening comments, I

1 believe that there are limits to what the private  
2 sector can accomplish, absent an update to the formal  
3 requirements. Thank you very much for allowing me  
4 this time.

5 MS. ZAKIR: Thank you, Eileen, and we'll just  
6 take another couple seconds to see if there are any  
7 other further questions.

8 (No response.)

9 MS. ZAKIR: Okay. Not seeing any further  
10 questions here, we will now take a vote on the motion  
11 that the MRAC adopt the subcommittee's discussion  
12 paper regarding DCO stress testing and liquidity and  
13 submit their report to the Commission for  
14 consideration. As a point of order, a simple majority  
15 vote is necessary. I will turn it over to Alicia.

16 MS. LEWIS: Thank you, Nadia. committee members,

1 for the last time, again, when I call your name,  
2 please indicate your agreement with "aye,"  
3 disagreement with "nay," or indicate "abstain" if  
4 you're abstaining from the vote. Please remember to  
5 unmute your audio to indicate your vote and to mute  
6 your audio once you're finished voting. Okay.

7 Salman Banaei, IHS Markit?

8 MR. BANAEI: Aye.

9 MS. LEWIS: Salman Banaei votes aye.

10 Stephen Berger, Citadel?

11 MR. BERGER: Aye.

12 MS. LEWIS: Stephen Berger votes aye.

13 Dick Berner?

14 MR. BERNER: Aye.

15 MS. LEWIS: Dick Berner votes aye.

16 Lee Betsill, CME Group?

1 MR. BETSILL: Aye.

2 MS. LEWIS: Lee Betsill votes aye.

3 Peter Borish, Quad Group?

4 MR. BORISH: Aye.

5 MS. LEWIS: Peter Borish votes aye.

6 Bis Chatterjee, Citi?

7 MR. CHATTERJEE: Aye.

8 MS. LEWIS: Bis Chatterjee votes aye.

9 Alicia Crighton, Futures Industry Association?

10 MS. CRIGHTON: Aye.

11 MS. LEWIS: Alicia Crighton votes aye.

12 Chris Dickens, HSBC?

13 MR. DICKENS: Aye.

14 MS. LEWIS: Chris Dickens votes aye.

15 Shelly Goodwin, BP?

16 MS. GOODWIN: Aye.

1 MS. LEWIS: Shelly Goodwin votes aye.  
2 Matthias Graulich, Eurex Clearing?  
3 MR. GRAULICH: Aye.  
4 MS. LEWIS: Matthias Graulich votes aye.  
5 Frank Hayden, Calpine Corporation?  
6 MR. HAYDEN: Aye.  
7 MS. LEWIS: Frank Hayden votes aye.  
8 Amy Hong, Goldman Sachs?  
9 MS. HONG: Aye.  
10 MS. LEWIS: Amy Hong votes aye.  
11 Lindsay Hopkins, Minneapolis Grain Exchange?  
12 MS. HOPKINS: Aye.  
13 MS. LEWIS: Lindsay Hopkins votes aye.  
14 David Horner, LCH Limited?  
15 MR. HORNER: Aye.  
16 MS. LEWIS: David Horner votes aye.

1           Annette Hunter, Federal Home Loan Bank of  
2 Atlanta?

3           MS. HUNTER: Aye.

4           MS. LEWIS: Annette Hunter votes aye.

5           Angie Karna, Nomura Global Financial Products?

6           MS. KARNA: Aye.

7           MS. LEWIS: Angie Karna votes aye.

8           Demetri Karousos, Nodal Exchange?

9           MR. KAROUSOS: Aye.

10          MS. LEWIS: Demetri Karousos votes aye.

11          Eileen Kiely, BlackRock?

12          MS. KIELY: Aye.

13          MS. LEWIS: Eileen Kiely votes aye.

14          Elisabeth Kirby, Tradeweb?

15          MS. KIRBY: Aye.

16          MS. LEWIS: Elisabeth Kirby votes aye.

1 Derek Kleinbauer, Bloomberg SEF?

2 MR. KLEINBAUER: Aye.

3 MS. LEWIS: Derek Kleinbauer votes aye.

4 Laura Klimpel, DTCC?

5 MS. KLIMPEL: Abstain.

6 MS. LEWIS: Laura Klimpel abstained.

7 Robert Mangrelli, Chatham Financial?

8 MR. MANGRELLI: Aye.

9 MS. LEWIS: Rob Mangrelli votes aye.

10 Kevin McClear, Intercontinental Exchange?

11 MR. MCCLEAR: Aye.

12 MS. LEWIS: Kevin McClear votes aye.

13 Craig Messinger, Virtu Financial?

14 MR. MESSINGER: Aye.

15 MS. LEWIS: Craig Messinger votes aye.

16 Dale Michaels, The Options Clearing Corporation?

1 MR. MICHAELS: Aye.

2 MS. LEWIS: Dale Michaels votes aye.

3 John Murphy, Commodity Markets Council?

4 MR. MURPHY: Aye.

5 MS. LEWIS: John Murphy votes aye.

6 Sam Priyadarshi, Vanguard?

7 DR. PRIYADARSHI: Aye.

8 MS. LEWIS: Sam Priyadarshi votes aye.

9 Marnie Rosenberg, JP Morgan?

10 MS. ROSENBERG: Aye.

11 MS. LEWIS: Marnie Rosenberg votes aye.

12 Jim Shanahan, CoBank?

13 MR. SHANAHAN: Aye.

14 MS. LEWIS: Jim Shanahan votes aye.

15 Betty Simkins?

16 DR. SIMKINS: Aye.

1 MS. LEWIS: Betty Simkins votes aye.

2 Tyson Slocum?

3 MR. SLOCUM: Abstain.

4 MS. LEWIS: Tyson Slocum abstained.

5 Madam Chair, you have 29 "yes" votes, zero "no"  
6 votes, and two abstentions.

7 MS. ZAKIR: Thank you, Alicia. The ayes have it,  
8 and the motion carries. The CCP Risk and Governance  
9 Subcommittee's discussion paper on DCO stress testing  
10 and liquidity has been adopted by the MRAC and will be  
11 submitted to the Commission for consideration. Alicia  
12 and Lee, we understand that with the presentation of  
13 these papers, this concludes the immediate work of  
14 your subcommittee. Many thanks, again, for your  
15 leadership and hard work and that of your workstream  
16 leaders, and many thanks to the subcommittee for their

1 commitment and engagement.

2           Before I turn it back over to Alicia for closing  
3 remarks, I just, once again, want to thank each of the  
4 members of the MRAC. I also want to thank Alicia  
5 Lewis, and, in particular, a special thanks to Acting  
6 Chairman Commissioner Behnam -- Acting Chairman Behnam  
7 for his sponsorship of the MRAC, both as Commissioner  
8 and as chair now, and also obviously for the  
9 opportunity to lead this great committee. Alicia,  
10 back to you.

11           MS. LEWIS: Well, it's time for closing remarks.  
12 We'll start with Commissioner Berkovitz, followed by  
13 Commissioner Stump, followed by Commissioner Quintenz,  
14 and rounding out the bunch will be Acting Chairman  
15 Behnam. Commissioner Berkovitz?

16           COMMISSIONER BERKOVITZ: Thank you, Alicia, and

1 thank all the members of the subcommittee and  
2 committee for the presentations and the  
3 recommendations. We will take these recommendations  
4 and consider them very, very, very seriously and in  
5 depth. Very important topics for the LIBOR transition  
6 and timely. I think this is a matter on the top of  
7 our agenda in the upcoming weeks and months. So, I  
8 thank the -- I thank the members, again, for the  
9 recommendations and look forward to our deliberations,  
10 and look forward to continued engagement with members  
11 of the Committee on the -- on these recommendations,  
12 and hopefully continue the dialogue with the members.

13 I would also express my thanks to the hard work  
14 that I know went into the CCP issues. And,  
15 unfortunately, consensus was not achieved on some of  
16 the very critical issues, understanding the point --

1 different points of view on those issues. We've  
2 certainly been struggling with those issues ourselves,  
3 but I think it's very important for the Commission to  
4 continue working on those issues, continue to engage  
5 with all market participants to see if additional  
6 progress can be made. And although I do express my  
7 disappointment that we're not going to be getting  
8 particular recommendations today to facilitate that,  
9 we'll continue working on it and dialogue with the  
10 members and see. They're very important issues, and I  
11 look forward to continuing the dialogue and hopefully  
12 make further progress on CCP resiliency. So, thank  
13 you, again, to everybody. Thank you, Alicia. Thank  
14 you, Nadia, and thank you, Acting Chair Behnam, for  
15 your leadership and support of this important effort.  
16 Thank you.

1 MS. LEWIS: Thank you, Commissioner Berkovitz.  
2 Commissioner Stump?

3 COMMISSIONER STUMP: Thank you, Alicia. I'm not  
4 going to -- I used my opening remarks to talk about  
5 the specifics that you were considering today and,  
6 certainly, we'll continue to consider. But I just  
7 want to take a very brief opportunity to thank Acting  
8 Chairman Behnam. Since my time at the Commission, all  
9 of the things that you all put forward for the Market  
10 Risk Advisory Committee are very timely and very  
11 helpful, and extremely well done. Even when we can't  
12 achieve consensus, it provides us a really good  
13 picture of where the lack of consensus lies, and  
14 that's important to us in doing our work on a day-to-  
15 day basis. So, I just wanted to thank Acting Chairman  
16 Behnam for always having a very thoughtful and

1 meaningful dialogue with the committee, and all of the  
2 different endeavors you guys have undertaken. Thank  
3 you.

4 MS. LEWIS: Thank you, Commissioner Stump.  
5 Commission Quintenz?

6 COMMISSIONER QUINTENZ: Thank you, Alicia.  
7 Again, thank you to you and Nadia for organizing and  
8 leading today's meeting. I'd like to echo the  
9 comments of Commissioner Stump in congratulating and  
10 thanking Acting Chairman Behnam for his tireless work  
11 with this committee and the subcommittees over the  
12 last number of years. The quality of the work, the  
13 forum for dialogue, the experts that have been brought  
14 to bear that may not have otherwise had a voice within  
15 the agency. I'm just really impressed with the  
16 results and the report, and even when there isn't

1 consensus on some issues like there were today, by  
2 which I'm not surprised, given the topics and the  
3 different perspectives of the participants. I think  
4 one of the important parts of these advisory committee  
5 isn't just for us to hear from all of these different  
6 experts and all of these different perspectives, but  
7 it's for them to hear from each other.

8         And I'd like to thank, again, Acting Chairman  
9 Behnam for providing a forum for those discussions to  
10 take place, which I think will help to advance  
11 meaningful understanding and, hopefully, some  
12 acknowledgement of where we are in CCP risk and  
13 governance oversight. And also, to congratulate the  
14 subcommittee for bringing forward such an important  
15 solution to the interest rate and benchmark reform  
16 process that has been a long time coming. So, thank

1 you all for the participation in the work today.

2 Thank you, Alicia, for having us.

3 MS. LEWIS: Thank you, Commissioner Quintenz.

4 Acting Chairman Behnam?

5 ACTING CHAIRMAN BEHNAM: Thanks, Alicia. A few  
6 things, and I do want to thank my colleagues for all  
7 of their kind remarks and words, but it certainly goes  
8 without saying, and they each know this as sponsors of  
9 their own advisory committees, that the work is only  
10 as good as its membership here. So, I do want to  
11 thank each and every one of the members on the MRAC.  
12 In my four years since I took over the committee,  
13 we've had a number of members, we've had a number of  
14 subcommittees come and go. Many who are with us have  
15 been with me for a number of years going back to the  
16 first few months, and I do want to thank all of you

1 for the hard work.

2       These are particularly difficult issues across  
3 the board, and especially with wrapping up on the CCP  
4 issues and the sort of divergence of points of view.  
5 We always knew this was not going to be easy, and I --  
6 point taken about missed opportunities, but I don't  
7 think this was a, you know, a complete missed  
8 opportunity, and I think my colleagues have said as  
9 much. I've believed this since day one, knowing this  
10 issue for many, many years and knowing the different  
11 points of view, for good reason, because we all have a  
12 different standing in the marketplace, including the  
13 regulators. Any discussion, any forum to have a  
14 transparent conversation about what the issues are,  
15 what the perceived risks are, and what the potential  
16 regulatory policies could be are helpful to us because

1 each of -- every one of us, we engage with each and  
2 every one of you or others across the globe in the  
3 U.S., and we see these issues.

4       We take these issues very seriously because of  
5 our role as the primary regulator over CCPs and given  
6 their systemic nature, as Commissioner Stump mentioned  
7 earlier, given their role post Dodd-Frank in terms of  
8 risk management in cleared swaps. We understand and  
9 take that very seriously from the Commission level all  
10 the way down. And we do believe with great confidence  
11 that we have the best people in the world overseeing  
12 these institutions, and we'll continue to engage to  
13 make sure that we're doing our job better as  
14 necessary, and, as the market evolves and changes,  
15 making sure that we evolve and change with it.

16       So today was a great discussion, a great

1 conclusion to that subcommittee, and I do want to  
2 thank again Alicia Crighton and Lee Betsill -- this  
3 was no easy task -- and all workstream leads. But  
4 today was a big accomplishment, and you should all be  
5 very proud of the work you did. And without question,  
6 we will take it as a Commission and as an agency, not  
7 only the individuals and the faces before you today,  
8 but, I think, many in the future as beneficial for us  
9 to think about policy going forward.

10       Lastly, I just want to thank Tom Wipf. Again, so  
11 much work being done out of that subcommittee since  
12 2018, and it -- as I sort of envisioned from day one.  
13 I wanted it to be a complement to the ARRC, and I  
14 think it has accomplished that precisely, and it's  
15 been a great effort over the many years. I know we  
16 have more work to do as we get to the December 31st

1 end, but with the SOFR First Initiative, this is a big  
2 step as we get to the end of the month with inter-  
3 dealer trading and some other milestone dates ahead  
4 going forward in the next few months. And we'll  
5 continue to work, as I mentioned in my opening  
6 remarks, on mandatory clearing requirements over the  
7 next couple of years and propose back to the  
8 Commission for consideration as we continue, I think,  
9 collectively to work towards transition away from  
10 LIBOR to SOFR and other risk-free rates.

11       So, with that, again, I want to thank everyone  
12 for their time and their effort. Special thanks to  
13 Nadia Zakir and, of course, Alicia Lewis for her work.  
14 This all runs smoothly because of her. She recalls  
15 very well when I -- when we first sat down to talk  
16 about her joining my team back in probably 2017, that

1 this was going to be a task I needed her to take on,  
2 and she's been doing it brilliantly and flawlessly  
3 since. I also want to recognize the rest of my staff  
4 -- David Gillers, John Dunfee, and Laura Gardy. We  
5 all play a part in these efforts certainly led by  
6 Alicia, but everyone plays a key role. So, thanks  
7 again to my fellow Commissioners, everyone listening,  
8 and, of course, the MRAC again, and the leaders -- the  
9 committee leaders, workstream leaders. I really  
10 appreciate today's effort and the conclusions, and  
11 we'll take them certainly and review them, and  
12 continue to engage in dialogue with you so that we can  
13 stay on top of our game as markets deal with many  
14 bumps, but also move along in different directions.

15 So, thank you, and, Alicia, back to you.

16 MS. LEWIS: Thank you, Acting Chairman Behnam.

1 And I just want to congratulate the MRAC and the  
2 subcommittees. You know, highlights over the past  
3 three years, we have two market structure papers out  
4 for CCP Risk and Governance and governance papers,  
5 three recommendations from the Interest Rate Benchmark  
6 Reform Subcommittee, one climate risk report, all in  
7 the span of three years. And I'd just like to thank  
8 Acting Chairman Behnam for allowing me to serve as  
9 your Designated Federal Officer, and I hope that I've  
10 served you all well. Thank you to everyone for  
11 attending this meeting.

12 The meeting is now adjourned.

13 (Whereupon, at 11:16 a.m., the meeting was  
14 adjourned.)