U.S. COMMODITY FUTURES TRADING COMMISSION (CFTC)

MARKET RISK ADVISORY COMMITTEE (MRAC)

Tuesday, February 23, 2021

9:30 a.m.

Meeting

BEFORE:

Rostin Behnam, MRAC Sponsor and CFTC Acting Chair

Brian D. Quintenz, Commissioner, CFTC

Dawn DeBerry Stump, Commissioner, CFTC

Dan M. Berkovitz, Commissioner, CFTC

Nadia Zakir, MRAC Chair

AGENDA

AGENDA (Continued)

P R O C E E D I N G S

MS. LEWIS: Good morning, everyone. I hope that everyone is well and safe. As the MRAC Federal Designated Officer, it is my pleasure to call this meeting to order.

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

ACTING CFTC CHAIRMAN BEHNAM: Thank you, Alicia. And good morning to everybody. I hope everyone is doing well and staying safe.

I want to welcome you to the first virtual meeting of the CFTC's Market Risk Advisory Committee of 2021. I also want to thank and acknowledge my colleagues, Commissioners Quintenz, Stump, and Berkovitz, for joining today's meeting. And, finally, I want to thank the MRAC members, the subcommittee chairs, and the speakers who will be participating in today's panel.

I would like to extend my gratitude to Nadia Zakir, the MRAC chair, for her leadership; Alicia Lewis, who we just heard from, the committee's designated Federal officer, for her lasting commitment to making the MRAC and its subcommittees a success; and David Gillers, my chief of staff and also the committee's alternate designated Federal officer, for his dedicated support of the Climate-Related Market Risk Subcommittee. I would also like to welcome our new members today: Angie Karna, Managing Director at Nomura Securities; Chris Dickens, Managing Director and Chief Operating Officer at HSBC.

Before we begin, I would like to take a moment to comment on recent market dynamics. With respect to precious metals, I want to reiterate that we are closely monitoring recent activity in markets and on social media. We are also closely following the tragic loss of life, limited clean water, and power outages in Texas. We are monitoring irregularities in the Texas energy markets following last week's freeze, specifically where there is a Federal nexus with CFTC regulated markets and listed products. We remain prepared to do whatever is necessary to protect the integrity of our markets. And, I also want to extend our thoughts and deepest sympathies to those who have experienced the most tragic of losses.

The full committee last convened in July of 2020. I ended my opening remarks by acknowledging that 2020's challenges and uncertainties do not present without attendant opportunity. Throughout these last months, I have been inspired by the MRAC and the subcommittee members' continuous engagement in their various workstreams amid the ongoing pandemic; the trickle-down impacts of regulatory and administrative change; and, perhaps the most unpredictable of all, shifting policies, practices, and procedures on the individual home/work front.

Carving out the time and space to focus on issues like interest rate benchmark reform, clearinghouse risk management, market structure, and the overarching impact of climate change on our financial markets, issues our members have dedicated themselves to for the better part of my three-plus-year tenure as the MRAC sponsor, may actually serve as a comfortable respite. However, adding on the various external stresses and the need to comprehend and incorporate new variables has certainly augmented the experience of addressing market structural concerns as we flex forward into 2021.

Indeed, as we have already witnessed these last few months, with so many inputs, new market entrants, and means of intermediation, or the absence thereof, our markets as a system are fragile in the sense that they are programmatically susceptible to what seem like implausible reactions to increasingly diverse externalities. With structural concerns across the financial markets making headlines, the Commission has remained ever vigilant in carrying out its mission and mandate and will absolutely continue to do so under my leadership.

Regarding the most recent events in the precious metals and energy markets, I am personally, along with dedicated staff throughout the agency, communicating with fellow regulators, exchanges, and stakeholders to address any potential threats to the integrity of the derivatives markets, evaluating in real-time structural and transparency concerns. And we at the CFTC continue to employ heightened alertness in surveilling these markets for fraud and manipulation.

Moreover, it can never be repeated too often, derivatives markets play a critical role in the everyday lives of all Americans. This is especially true when it comes to the production and supply of reliable and low-cost energy. At a time of many challenges across the country resulting from the COVID-19 pandemic, last week's extreme weather events in Texas and surrounding states created unimaginable burdens for millions of Americans. Though perhaps not at the forefront of everyone's thoughts when nearly half of Texas's residents remain without drinkable water, and thousands remain without electricity, this Arctic blast highlighted weaknesses in our energy infrastructure that will likely be challenged and stressed more often in the future as a result of more frequent and extreme weather events. As we collectively act to restore normalcy and stability in our lives and to reignite economic and employment productivity and growth, I commit to taking any and all actions to ensure the CFTC contributes to this administration's efforts by ensuring our markets remain transparent, fair, and efficient, and fulfill their core responsibilities of price discovery and risk management to ensure reliable and low-cost energy for all Americans.

Today's meeting is an ambitious endeavor to hear from all four of the MRAC subcommittees and hold our first ever panel focused on diversity, equity, and inclusion in the derivatives industry and related markets. First off, Tom Wipf, the Chairman of the MRAC's Interest Rate Benchmark Reform Subcommittee and also chairman of the Alternative Reference Rate Committee of the Board of Governors of the Federal Reserve System will provide an update on the transition away from LIBOR. This subcommittee demonstrated exceptional effectiveness through 2020, perhaps most notably for leading the June 2nd, 2020 tabletop exercise as a prelude to the PAI/discounting switch for LIBOR swaps by the clearinghouses. The robust discussions provided the CCPs valuable feedback on their proposed approaches, raised awareness among market participants and vendors, and from the CFTC’s perspective, helped highlight critical areas where regulatory relief would mitigate potential risks associated with the LIBOR transition.

Another milestone the market achieved was the successful launch of ISDA’s 2020 IBOR fallbacks protocol to introduce robust fallback language for interest rate swaps. The protocol became effective on January 25th, 2021, and the relevant CCPs simultaneously adopted the fallback language in their respective rulebooks for cleared swaps. CME is in the process of adopting appropriate fallback language into its rulebook for Eurodollar futures and options, which settle to the three-month U.S. dollar LIBOR. Based on CFTC staff analysis of information from ISDA and data from SDRs, legal entities that account for close to 95 percent of gross notional outstanding, cleared and uncleared, in interest rate swaps have adhered to the protocol. Digging even deeper, 69 percent of notional outstanding of uncleared IRS now have the updated ISDA fallback language.

There is a long tail of end-users with a small footprint in the swaps markets. Our expectation is that many of them will either close their swaps positions or negotiate appropriate fallback language bilaterally with their counterparties. But not having a plan just because the firm has one or two open swaps is not an option. To the extent there are large, active firms who have not yet adhered to the protocol, relevant regulators and counterparties will be apt to take notice.

Authorities have been highlighting the lack of robust fallback language in swaps contracts as a financial stability risk factor and for good reason. We want to make sure that robust contractual language is in place in case of a cessation of the reference rate. There is much anticipation that cessation announcements by ICE Benchmark Administration and the U.K. Financial Conduct Authority will be made in the near future, and these definitively put the end-game for U.S. dollar LIBOR and other IBORs in sight. For all practical purposes, the markets will most likely be shifting from U.S. dollar LIBOR to SOFR and other alternate reference rates in the coming months.

I am looking forward to hearing from the Benchmark Subcommittee on how the markets, especially the derivative markets, will shed the U.S. dollar LIBOR habit. And, thanks to the close collaborative partnership with the ARRC and the MRAC subcommittee, the CFTC has been at the forefront in terms of providing appropriate regulatory relief to facilitate this transition. We remain committed to supporting this effort.

Second, Bob Litterman, Chairman of the Climate-Related Market Risk Subcommittee, will present on the subcommittee's September release of its report on managing climate risk in the U.S. financial system. The climate report is receiving widespread recognition as the first-of-its-kind effort from a U.S. government entity to examine and argue for recognition that climate change poses serious emerging risks to the soundness and stability of the U.S. financial system and that we need to move urgently and decisively to measure, understand, and address these risks.

I gave the Climate Subcommittee a broad

mandate: provide an analysis and recommendations regarding the existing and emerging risks and impacts of climate change on the financial markets. The climate report has exceeded all expectations in tackling the challenges of how to safeguard the financial system in the face of the uniquely complex risks presented by climate change and how to facilitate the transition to a low-carbon, climate-resilient economy. Recognizing our unique circumstances in the U.S., which include a multifaceted system of financial regulation and myriad regulators, the climate report will provide a resource to interested policymakers, regulators, and stakeholders as our Nation begins the process of taking thoughtful and intentional steps toward building a climate-resilient financial system that prepares us for the decades to come.

In speaking about climate change and financial market risk and what role policymakers should and could play, I have always highlighted the pioneering efforts of the Bank of England, the Network for Greening the Financial System, and the Financial Stability Board, among others. Their work towards achieving sustainable finance and resilient markets and publicizing climate-related financial market risks through dialogues among networks of their nations and members paved our way here today. And consistent with these attributes, at the heart of the climate report is the concept of partnerships.

Turning back to our agenda, the Market Structure Subcommittee, led by Lisa Shemie, Associate General Counsel and Chief Legal Officer for Cboe FX Markets and Cboe SEF; and Stephen Berger, Managing Director and Global Head of Government and Regulatory Policy at Citadel, will present its final recommendations regarding the swap dealer landscape and the Made Available to Trade, or MAT, process for further consideration by the MRAC.

The Commission has focused much of its time and resources over the last decade on efforts to effectuate the congressional mandate aimed at addressing the risks the previously and largely unregulated swaps market posed to the financial system. Throughout my tenure at the CFTC, I have considered whether the swap dealer definition and associated registration regulation calculation encompass too many entities whose activities are not significant enough to warrant full regulation under Title VII of the Dodd-Frank Act and alternatively, whether they result in an undue amount of dealing activity falling outside of the regulatory framework. While I remained judicious in my words and stated my legal interpretations and policy positions clearly on the matters as they came before me in the past, I remain neutral when it comes to new data, changing circumstances, and market evolution that may warrant reconsideration.

Similarly, I have had many years to explore the designing and functioning of the MAT process. As I have previously stated, addressing the MAT process could increase liquidity on SEFs and could do so in concert with increased pre-trade transparency and without dismantling aspects of the SEF rules that work well. I commend the Market Structure Subcommittee for working on key issues it believes may be impeding liquidity and diversity among liquidity providers trading on SEFs and designated contract markets and look forward to its presentations and submissions.

The CCP Risk and Governance Subcommittee will present the fourth and last briefing by the subcommittees. Much of the discussion last July focused on the impact the COVID-19 pandemic was having on market activity, structure, and elements of central counterparty clearing. CCPs continue to demonstrate resilience through episodes of high volumes and volatility, managing market and operational risks and mitigating credit and liquidity risks. Most recently, CCPs proved to be a crucial element in the financial market infrastructure in controlling the frenzied trading in GameStop, AMC Entertainment, and other stocks.

However, despite clear evidence demonstrating the critical importance of central clearing to our financial markets, a key component of post-crisis derivatives reforms, there remain sufficient and credible concerns that extreme liquidity demands during periods of high market volatility, as we experienced nearly one year ago, create additional stress to financial markets and potentially financial stability risks. These important questions and issues are being debated and discussed across the globe, and I remain committed to using the MRAC and the key stakeholders participating on the committee and its subcommittees to help inform any requisite data-driven policymaking aimed to reducing such market risk.

Today we will receive reports from CCP Risk Subcommittee Co-Chairs Alicia Crighton, Global Co-Head of Futures and Head of OTC and Prime Clearing Businesses at Goldman Sachs and also representing the Futures Industry Association; and Lee Betsill, Managing Director and Chief Risk Officer of the CME Group. The first report sets forth recommendations regarding CCP margin methodologies across six key elements of a robust margin framework, many of which, CCPs are following today. The second report makes recommendations for improving derivatives clearing organizations’ governance arrangements through further enhancements to the effectiveness of CFTC governance standards by ensuring that DCOs’ management and their boards of directors have a formalized process to solicit, consider, and address input from varied clearing members and end-users before making decisions that could materially affect the risk profile of the DCO's activities. I am looking forward to receiving these final reports and fully appreciate these tremendous efforts. To that end, I wish to highlight that the CCP Risk Subcommittee is continuing its work on additional workstreams addressing stress testing and liquidity, transparency, capital and skin-in-the-game, and default management. These are all tremendously difficult issues, core issues that strike at the heart of market risk. And consequently, they require careful deliberation, discussion, and ultimately time. It is my expectation that as the Subcommittee reaches conclusions and consensus on these issues, they will also report back to the full MRAC in future meetings.

We will end today's meeting with a panel on diversity in the derivatives markets. It is time to start a more fulsome dialogue on how the failure to incorporate diversity and foster inclusion in our markets may negatively impact our economic future and the competitiveness in our domestic and global markets. As relayed by Congressman David Scott in remarks at a May 2019 hearing on the state of the CFTC in the House of Representatives, "Diversity is a strength. It will make your agency stronger not only by the varied viewpoints and backgrounds that women, LGBTQ employees and employees of color bring, but also through the credibility the agency will gain by accurately reflecting the diversity of our great country."

In April 2019, I issued a letter to the Office of Minority and Women Inclusion, seeking additional information as to how the underrepresentation of minorities and women, especially in management positions, at the CFTC could be addressed and remedied. I have continued to actively engage internally with our OMWI and with various affinity groups within the Commission organized to foster and support employee engagement, inclusion, and teamwork. I have also supported legislative fixes necessary to bring our OMWI in line with our fellow Federal financial regulators and to establish an internship program for students attending one of the nineteen 1890s Land-Grant Institutions and others, providing students at historically black colleges and universities with the opportunity to serve a semester-long program within varying divisions of the CFTC. These issues and the necessary legislative fixes remain a top priority, and I will continue to advocate for necessary changes in my new role as acting chair.

Earlier this month, the Federal Reserve Bank of San Francisco published its framework for change outlining its commitment to taking action towards racial and ethnic equity internally and in the communities it serves. The framework recognizes that small, uncoordinated actions will not be enough. Changes require many tools and a comprehensive strategy to create a sustainable, self-reinforcing cycle. The framework for change will be supported by four pillars subjected to concrete and measurable actions: evidence, practice, dialogue, and advocacy. This is just one movement and one model, but it is a positive sign that strategies are being implemented at the top.

Today's conversation will focus on best practices for creating a culture of diversity, equity, and inclusion in the derivatives industry through its firms. Our distinguished panel will share strategies and successes in building and working with diverse teams, share approaches to starting dialogues about race in the workplace, and discuss actionable steps needed to become more inclusive and maximize a team’s potential.

Advisory committees like MRAC are vehicles for change; challenge; and, perhaps most importantly, debate and consensus. Transitions in our markets should ideally be market-driven. However, there is a role for the regulator in ensuring that there is transparency, equity, and commitment that leads to results. Moreover, it is the province of regulators to define and support markets and market participants through comprehensive legislative and regulatory efforts and to provide a firm and decisive leadership, especially in times of economic uncertainty and stress. We as a Nation have an abundance of existing law and regulation and a corps of regulators, SROs, advocacy groups, think tanks, and thought leaders to ensure that we utilize our resources and capital to the fullest extent. As we continue to progress through 2021, it is my intention to support the momentum of the MRAC and its subcommittees towards addressing, exploring, and resolving the issues we will consider here today.

I want to thank you again, all, for your participation and your commitment. I hope you are all doing well, again. And I want to thank Alicia and Nadia for your leadership and my staff for putting together a great meeting.

And I do want to say, in conclusion, many months into the COVID pandemic, we're here virtually meeting. It is an amazing feat of technology, and I want to give credit to all CFTC staff for making these meetings able to happen so smoothly during the course of the day.

So, Alicia, I will send it back to you. And I am looking forward to today's agenda. Thank you.

MS. LEWIS: Thank you, Chairman Behnam.

Commissioner Quintenz?

COMMISSIONER QUINTENZ: Hi. Yes. Good morning. Thank you very much, Alicia. And thank you for your leadership in running the Market Risk Advisory Committee. Thank you to Nadia for her chairmanship. And, of course, thank you to Acting Chairman Behnam for his very thoughtful and engaged leadership and guidance in strategy over some very complicated and complex issues over the last years. Given the agenda, I think it is absolutely obvious how much thought and effort and coordination that has gone into the conversations we are going to have today over not just since the last meeting but, really, since Acting Chairman Behnam took over the Market Risk Advisory Committee at the beginning of his tenure in 2017. And I personally am very much looking forward to hearing the conversation today.

The Interest Rate Benchmark Subcommittee is something that he formed very early. That has been incredibly active and incredibly productive and has played a crucial role in preparing to change out of the legacy LIBOR structure. The Market Structure and CCP Subcommittees, while a little newer, I think are also playing very productive roles. And I am excited to hear the expertise and engagement there. And the climate risk report I think has brought forward a number of very important issues for us to consider, specifically within the realm of the CFTC. I am interested to hear what actions the CFTC may consider in further protecting the derivatives markets as well as ensuring that they can be efficiently used to mitigate the risks of climate change, as well as other risks that they have so successfully been used for in the past; and, lastly, look at the diversity panel, an incredibly important topic that we have been engaged with ever since I joined the Commission. I am excited to hear the talk there as well.

I don’t have any more official comments given that my time on the Commission is probably coming to an end here in the very near future. But, again, my compliments to Acting Chairman Behnam; to you, Alicia; and to Nadia for a robust agenda today. Thank you.

MS. LEWIS: Thank you, Commissioner Quintenz.

Commissioner Stump?

COMMISSIONER STUMP: Thank you, Alicia. And thanks to Acting Chairman Behnam for holding what I anticipate will be a very informative meeting with robust debate around a number of important issues facing not only the markets that we regulate at the CFTC but also many very important topics of interest to the public more generally.

I think we can all agree that the work done through this committee has raised the bar in bringing together thought leaders. And it has also elevated the profile of the CFTC. I welcome these discussions because they are an opportunity to highlight the important work that we do at the CFTC and they also present opportunity to engage in a much-needed conversation about the unique focus of the CFTC’s mission.

If you will indulge me for just a minute, I wanted to note that long ago, in 1974, when -- the Senate Agriculture Committee, where Acting Chairman Behnam and I both worked at one time, in 1974, the Senate Ag Committee filed a report that accompanied the Commodity Futures Trading Commission Act, and the committee made a keen observation then that still holds true today about the role of the newly independent CFTC. The report stated that the proper regulatory function of an agency which regulates futures trading is to assure that the market is free of manipulation and other practices which prevent the market from being a true reflection of supply and demand. Even as our markets have grown and our profile has been raised, at the time when -- and Congress has from time to time expanded our jurisdiction, our role as a regulator has not fundamentally changed. As Acting Chairman Behnam already stated, we are here to ensure that the markets we oversee, the derivatives markets, function properly for the purpose of price discovery and risk management.

I often worry that as the CFTC's public profile has expanded, that our role may be increasingly misunderstood. It is a good problem to have a higher profile, but sometimes there is confusion injected as to our unique role. And it is a concern that I think has been recently demonstrated by press accounts and social media entries suggesting things such as the CFTC is promoting things such as Bitcoin or carbon emission controls. The public should understand that the CFTC simply monitors developments in these areas because they are important factors in the proper functioning of the derivatives markets. We do not regulate them, and we certainly aren't in the business of promoting these things. Put a different way, the demand and the development for the products we regulate is driven largely by the presence of risk. For example, some may utilize Bitcoin futures to hedge inflationary risks and others will seek to hedge risks stemming from broader public concerns, such as climate change, by utilizing the derivatives markets. These are all very positive things and well-intended functions of our markets.

The demand for the products we regulate may be derived from private forces or even government mandates, but all of those things are beyond the CFTC's remit and control. The CFTC's job under the Commodity Exchange Act is to continue our historic oversight to ensure we preserve the function and the consequent risk management tools, just as we do today in regulating thousands of physical derivatives, physical commodity derivatives; several new cryptocurrency derivatives; and almost 150 climate-related derivatives contracts already subject to our regulatory supervision.

With that said, I want to thank you again for the hard work that has been put into all of your reports and all the subcommittees. I know that there is a tremendous amount of effort that goes into preparing for these meetings. So, I wanted to particularly take the opportunity to particularly thank Alicia. And I look forward to today's discussion and the opportunity to publicly highlight and clarify the scope of the CFTC's regulatory interest on a vast array of topics.

With that, I will turn it back to you, Alicia.

MS. LEWIS: Thank you, Commissioner Stump.

And now we will have Commissioner Berkovitz.

COMMISSIONER BERKOVITZ: Thank you, Alicia. I am very pleased to be here for today's meeting. We have an excellent agenda that is very timely.

I would like to begin by thanking the members of the Market Risk Advisory Committee for their time and effort. This, as all our advisory committees are, are purely voluntary committees. I am most impressed with and grateful for the dedication, commitment of all of the committee members and all the work they have put into the committee to making today happen and for all the reports that they have provided. I would particularly like to thank you, Alicia; Acting Chairman Behnam; and Nadia Zakir, for their dedication and service to the committee and leadership.

The ongoing catastrophe in Texas is yet another illustration of the importance of market design and structure in enabling us to meet our critical energy and other infrastructure needs. At this moment, our thoughts are foremost with our fellow citizens who do not have adequate electricity, heat, or water and for their health and safety. We also are fully supportive of the recovery efforts.

Going forward, it will be important for us to examine the causes of our current situation and incorporate any lessons learned into our financial and energy markets. We must ensure that our markets adequately incorporate both short-term and long-term risks. And we must consider what other actions may be necessary, where market-based solutions may not be effective in securing the overall common good.

We also have an extremely important panel today on diversity. I am looking forward to see what best practices we may be able to incorporate here at the CFTC, but I am not only looking for us to copy or bring into the agency the best practices. I am looking forward to the day when the agency can be a leader in diversity. I am looking forward to working with my fellow commissioners and the CFTC staff to make that happen.

So, without further ado, I will conclude my remarks. And thank you all. And I look forward to today's discussion. Thank you.

MS. LEWIS: Thank you, Commissioner Berkovitz. Many thanks to the Acting Chairman and the Commissioners for their opening remarks.

Now I would like to turn to Nadia Zakir, the MRAC Chair, for her remarks and to start today's discussion.

CHAIRPERSON ZAKIR: Thank you, Alicia. Let me start by thanking Acting Chairman Behnam for his sponsorship of the MRAC and each of the Commissioners of the CFTC for their support. A special thanks to Alicia Lewis for her leadership in organizing today's meeting and, in particular, for her insightful guidance and leadership in helping to organize today's diversity panel.

I am honored to serve as the chair of the MRAC. And I want to thank the members of the MRAC in particular, including each of the subcommittee chairs, for all of their hard work over the past several months in carefully evaluating and drafting recommendations that are intended to enhance the market structure and risk management of derivatives.

As described in the agenda, we have several reports and important updates from our subcommittees, and I look forward to these presentations. Today's meeting will also include a very timely panel on diversity, equity, and inclusion in the derivatives industry. And, again, I want to thank each of our guest panelists. I look forward to moderating this important discussion.

Before we begin, I would like to do a roll call of the members on WebEx so we have your attendance on the record. After Alicia says your name, please unmute your audio by pressing the microphone icon and indicate that you are present. And then mute your audio, please.

Alicia?

MS. LEWIS: MRAC members, please unmute your audio by clicking the microphone icon after I say your name. Please indicate that you are present and then mute your audio, please.

Nadia Zakir?

CHAIRPERSON ZAKIR: Present.

MS. LEWIS: Salman Banaei?

MR. BANAEI: Good morning. Present.

MS. LEWIS: Stephen Berger?

MR. BERGER: I am present.

MS. LEWIS: Richard Berner?

MR. BERNER: Good morning. Present.

MS. LEWIS: Lee Betsill?

MR. BETSILL: Present.

MS. LEWIS: Peter Borish?

(No response.)

MS. LEWIS: Peter Borish?

MR. BORISH: Present.

MS. LEWIS: Bis Chatterjee?

(No response.)

MS. LEWIS: Bis, you have to use the microphone icon to take yourself off mute.

MR. CHATTERJEE: Hey, Alicia. Can you hear me?

MS. LEWIS: Thank you. Yes, I can hear you now.

MR. CHATTERJEE: Thank you.

MS. LEWIS: Alicia Crighton? Alicia Crighton?

(No response.)

MS. LEWIS: Alicia, I see that you have taken yourself off mute, but I can't hear you.

MS. CRIGHTON: Can you hear me now?

MS. LEWIS: Yes, I can.

MS. CRIGHTON: Present. Thanks, Alicia. Sorry.

MS. LEWIS: Thank you.

Chris Dickens?

MR. DICKENS: Present, Alicia.

MS. LEWIS: Morning or I think good afternoon.

MR. DICKENS: That's correct. Yes. Thank you.

MS. LEWIS: Shelly Goodwin?

MS. GOODWIN: Good morning, Alicia. Present.

MS. LEWIS: Good morning.

Matthias Graulich? Matthias?

(No response.)

MS. LEWIS: Can someone see if Matthias is on mute? I see Matthias, but I cannot hear him.

SPEAKER: I don't see that his audio is connected.

MS. LEWIS: Matthias, we are going to need you to dial in to the audio. You cannot use your computer audio. So, use the dial-in number. And then I will come back to you to get you on the record.

Graham Harper?

MR. HARPER: Present.

MS. LEWIS: Frank Hayden?

MR. HAYDEN: Present. Can you hear me?

MS. LEWIS: Yes, I can hear you now.

MR. HAYDEN: Okay. Great.

MS. LEWIS: Lindsay Hopkins?

MS. HOPKINS: Present.

MS. LEWIS: Annette Hunter?

MS. HUNTER: Present. Good morning.

MS. LEWIS: Angie Karna?

MS. KARNA: Present.

MS. LEWIS: Demetri Karousos?

MR. KAROUSOS: Present, Alicia. Good morning.

MS. LEWIS: Good morning.

Eileen Kiely?

MS. KIELY: Good morning. Present.

MS. LEWIS: Good morning.

Derek Kleinbauer?

MR. KLEINBAUER: Good morning, Alicia.

MS. LEWIS: Good morning.

Laura Klimpel? Laura Klimpel?

(No response.)

MS. LEWIS: Robert Mangrelli?

MR. MANGRELLI: Good morning, Alicia. I am present here.

MS. LEWIS: Good morning.

Kevin McClear?

MR. McCLEAR: Good morning. Present.

MS. LEWIS: Dennis McLaughlin? Dennis McLaughlin?

(No response.)

MS. LEWIS: Let's see. I saw Dennis earlier.

Craig Messinger?

MR. MESSINGER: Good morning, Alicia.

MS. LEWIS: Good morning, Craig.

Dennis McLaughlin?

(No response.)

MS. LEWIS: Dennis, I see that you are no longer muted. So, you can indicate that you are here.

(No response.)

MS. LEWIS: A/V, is his audio not connected?

SPEAKER: Not yet. He is probably dialing in now.

MS. LEWIS: Okay. So, we will go on to Dale Michaels.

MR. MICHAELS: Good morning and present.

MS. LEWIS: Good morning.

John Murphy?

MR. MURPHY: Good morning. Present.

MS. LEWIS: Good morning.

Sam Priyadarshi?

MR. PRIYADARSHI: Good morning. Present.

MS. LEWIS: Good morning, Sam.

Marnie Rosenberg?

MS. ROSENBERG: Thanks. I'm present.

MS. LEWIS: James Shanahan?

MR. SHANAHAN: Good morning and present.

MS. LEWIS: Lisa Shemie?

MS. SHEMIE: Good morning. Present.

MS. LEWIS: Good morning.

Betty Simkins?

MS. SIMKINS: Good morning, Alicia. Present.

MS. LEWIS: Good morning.

Tyson Slocum?

MR. SLOCUM: Good morning. I am here.

MS. LEWIS: Good morning, Tyson.

Sujatha Srinivasan? Sujatha?

MS. SRINIVASAN: Good morning, Alicia. Present.

MS. LEWIS: Good morning.

Marcus Stanley?

MR. STANLEY: Good morning, Alicia.

MS. LEWIS: Good morning.

Robert Steigerwald?

MR. STEIGERWALD: Present.

MS. LEWIS: Janine Tramontana?

MS. TRAMONTANA: Hello, Alicia. Present.

MS. LEWIS: Hello.

Scott Zucker?

MR. ZUCKER: Good morning.

MS. LEWIS: Good morning.

And Dennis McLaughlin? Do we have you, Dennis?

(No response.)

SPEAKER: I see that his audio is connected now. Dennis, you are muted. Please unmute.

MR. McLAUGHLIN: I am present. Thank you.

MS. LEWIS: Yes. Thank you, Dennis.

Okay. Subcommittee representatives, please unmute your audio by clicking on the microphone icon after I am say your name. Please indicate that you are present, and then mute your audio, please.

Tom Wipf, Interest Rate Benchmark Reform Subcommittee chair?

MR. WIPF: Present, Alicia. Good morning.

MS. LEWIS: Good morning. Bob Litterman, Climate-Related Market Risk Subcommittee chair?

(No response.)

MS. LEWIS: Bob, we can't hear you. I see that you are not on mute. Bob?

(No response.)

MS. LEWIS: A/V, is he connected?

SPEAKER: This is Rob, Miss Alicia?

MS. LEWIS: Bob Litterman.

SPEAKER: Yes, I see that he is here. I will send him a mute alert.

MS. LEWIS: Bob, can you just state that you are here?

MR. LITTERMAN: Yes. I am here. Can you hear me?

MS. LEWIS: Okay. Excellent. Thank you. And that concludes the roll call. Nadia?

CHAIRPERSON ZAKIR: Thank you, Alicia.

Just a few logistical reminders. Committee members and speakers, please mute your audio during the presentation. And please use either the raised-hand feature or the chat functionality in WebEx to ask a question. For those of you dialing in, please refer to the meeting instructions should you wish to make a comment or ask a question. I will recognize the members who wish to speak. If there are follow-up comments or questions after your initial statement, please be sure to state your name and firm.

Separately, in anticipation of the diversity panel, we would like to ask that MRAC members please take a few moments now to respond to the diversity poll questions within the WebEx interface. Please note that the individual poll results are anonymous. The polls will close promptly at 11:00 a.m. Eastern. We will display the responses during the diversity panel.

Turning to today's agenda, our first order of business is a status report from the Interest Rate Benchmark Reform Subcommittee followed by a briefing from the Climate-Related Market Risk Subcommittee on its report managing climate risk in the U.S. financial system. This will be followed by final reports and recommendations from the Market Structure Subcommittee on the "made available to trade" process and the swap dealer landscape as well as final reports and recommendations from the CCP Risk and Governance Subcommittee on CCP margin methodologies and governance. We will end our time today with the diversity panel, as described earlier during this meeting.

MRAC members, I will open the floor to

questions after the Interest Rate Benchmark Reform Subcommittee and the Climate-Related Market Risk Subcommittee reports.

As a reminder, we will be voting on the market risk and CCP risk and governance reports. Therefore, questions will be taken after I call for a discussion on each respective report.

With that, we will start with the Interest Rate Benchmark Reform Subcommittee. Many thanks to the subcommittee and its chair, Tom Wipf, Vice Chairman, Institutional Securities at Morgan Stanley and chair of the Alternative Reference Rate Committee, for the great work done thus far.

Tom, I will turn it over to you to please provide your report.

MR. WIPF: Thank you, Nadia. And good morning to everyone. It is again an honor to be presenting again in front of the Market Risk Advisory Committee on behalf of the Subcommittee on Interest Rate Benchmark Reform.

For those I haven’t met, my name is Tom Wipf. I am Vice Chairman of Institutional Securities at Morgan

Stanley. I represent the firm as chairman of the Alternative Reference Rate Committee and as well serve as a board member on ISDA.

I want to take a moment to thank Acting Chairman Behnam; Alicia Lewis; Nadia Zakir; this committee, the MRAC; and the rest of the commissioners in the CFTC for continuing support of our subcommittee and for the foresight to have enabled this important workstream in the transition away from LIBOR onto SOFR.

I will first begin by recapping the key developments in the LIBOR transition that have occurred since we last spoke in July 2020, when we were discussing the subcommittee’s tabletop exercise. Following our tabletop exercise and corresponding report that was approved by the MRAC in July, CME and LCH successfully executed their respective discounting transitions in October of 2020. From an operational perspective, both processes went quite well. And from a market risk perspective, the potential risks identified by the subcommittee, including the possibility of a failed auction, fortunately, did not materialize. In fact, market participants that exited basis swaps via the auctions may have been able to realize cost savings relative to where they would have transacted bilaterally. In other words, the auctions worked quite well, and both CME and LCH are to be commended for all the work that went into that seamless execution.

Also in October, ISDA launched their IBOR fallbacks protocol and supplement, marking a major milestone in the transition away from IBORs globally. These documents provide fallback language based on a clear, consistent, and transparent methodology for derivatives transactions, thereby reducing the risk of market disruption if and when a key IBOR ceases to exist or LIBOR is deemed to be non-representative before the transition efforts are complete.

These fallbacks became effective on January 25th and are, therefore, incorporated into any new trades executed after that date that use ISDA's standard interest rate definitions as well as any legacy trades if both counterparties have, in fact, adhered to the protocol. Over 13,000 entities have adhered to this protocol, which represents broad adherence among broker dealers, institutional investors, and other types of market participants.

Additionally, both CME and LCH have incorporated these fallback terms into their rulebooks, meaning that at this point the entire cleared market, plus much of the uncleared market, is operating under the terms of the ISDA fallbacks. This accomplishment is the result of years of work from ISDA, and I commend them for their efforts to provide a clear path forward for derivatives which form the significant majority of IBOR exposures globally and here in the U.S.

In the loan market, which to date has struggled with adoption of SOFR compared to other markets, we received clarity from U.S. regulators towards the end of last year on outstanding questions related to credit-sensitive benchmark rates and appropriate benchmarks to be used in loans. The official sector made it clear that they support innovation in and development of suitable reference rates, including those that have credit-sensitive elements. However, that innovation is best left to the private sector. The official sector noted that they are not well-positioned to adjudicate the selection of a reference rate between banks and their commercial customers. And, thus, they have not convened a group to recommend a specific credit-sensitive supplement or a rate for use in commercial lending products.

Further, the Federal Reserve Board of Governors, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency published a statement regarding reference rates in loans, noting that banks should select suitable replacement rates for LIBOR that are most appropriate given their specific circumstances, giving due consideration to their funding costs and customer needs. They also confirmed that examiners will not criticize banks solely for using the reference rate, including a credit-sensitive rate, other than SOFR for loans.

With these two items combined, the message to the private sector is clear: Begin engaging in non-LIBOR lending businesses. This is quite important as we know derivatives markets serves as the hedge to the lending products, but these are very much connected. And we will be following these very closely.

The most fundamentally important developments occurred in late November, when IBA, the administrator of LIBOR, released a consultation proposing cessation dates for the 35 LIBOR settings that they publish. They proposed to cease publication of all tenors of sterling, Euro, Swiss franc and Japanese yen LIBOR as well as one-week and two-month U.S. dollar LIBOR at the end of this year, 12/31/21, and to cease publication of the remaining tenors of USD LIBOR of the overnight, 1, 3, 6 and 12 months on June 30th, 2023.

This consultation concluded in January, and we await the final results. Notification by IBA of the exact timeline for LIBOR cessation would serve to freeze the spread adjustments to be utilized in derivatives that use ISDA’s fallbacks as well as cash products that use ARRC-approved fallbacks.

On the same day that IBA published this consultation, the Federal Reserve Board of Governors, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency published clear supervisory guidance on LIBOR, going forward. They stated that, “Failure to prepare for disruptions to U.S. dollar LIBOR, including operating with insufficiently robust fallback language, could undermine financial stability and banks' safety and soundness. The agencies believe entering into new contracts that use USD LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks, and they will examine bank practices, accordingly. Therefore, the agencies encourage banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event, by December 31st, 2021. New contracts entered into before December 31st, 2021 should either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR's discontinuation." The supervisory intentions are clear, and every firm needs to accelerate their LIBOR transition plans in order to comply with this guidance.

Finally, towards the end of 2020 and earlier this year, LCH and CME provided indications on how they would approach a LIBOR cessation event from an operational and risk management perspective. These proposals, for which LCH issued a consultation in December and then published results of that consultation last week, will form the next key workstream for the MRAC Subcommittee on Interest Rate Benchmark Reform.

I don’t plan to go into depth on the current plans for each CCP as they are still in draft form, but I will share some of the guiding principles discussed in the public documents and how they have been deliberated within the subcommittee. So, due to the way fallbacks in the ISDA protocol and the supplement are constructed, an IBOR swap under these fallback terms will fall back to an risk-free reference rate swap that has slightly different conventions than what one might consider a standard RFR swap. For instance, ISDA’s fallback terms contemplate a spread adjustment on the floating leg where typically one would not exist, and also create an observation shift for interest accruals that would not typically exist in a newly-executed RFR swap.

The overarching goal from the clearinghouses is to standardize these fallen-back IBOR swaps as much as practicable. Many market participants agree that creating two distinct classes of RFR swaps, one for new activities and one for fallen back IBOR swaps, may be a sub-optimal outcome for the market. However, different types of market participants have varying views on the most appropriate way to complete this standardization. Fortunately, the subcommittee contains an appropriately diverse set of viewpoints so that our discussion on these topics has been thorough.

To organize the committee's diverse thoughts in a way that is helpful to the clearinghouses, we are summarizing each of the views from the relevant market participant types represented on the subcommittee. And, ultimately, our goal is to be additive to the independent consultation processes that both CME and LCH will complete prior to finalizing their plans. We will keep this committee, the MRAC, aware of our progress on this discussion and any next steps that the subcommittee identifies.

Although the conversion processes for USD LIBOR would not occur until after 2021, due to the 18-month extension in USD LIBOR's publication, there seems to be appetite from the clearinghouses and other market participants for a currency-agnostic approach to this transition. In other words, as the clearinghouses finalize their plans over the coming months for sterling, Euro, Swiss franc and yen LIBOR, it is important for the subcommittee to be plugged into this process because the outcome will directly impact the transition for U.S. dollar LIBOR at a later date.

So, in conclusion, at this time, we welcome any feedback or questions from the MRAC on our workstream to consider the IBOR transitions from the clearinghouses. We would also be keen to know if the MRAC has views on other items the subcommittee should consider. The MRAC and the CFTC's guidance has been helpful to our work thus far, and we look forward to further collaboration with this group.

So, once again, I would like to thank Acting Chairman Behnam, Alicia Lewis, Nadia Zakir, and the MRAC for the opportunity for this public service. And we now would open the discussion for feedback and questions relating to that topic.

CHAIRPERSON ZAKIR: Thanks, Tom.

At this time, let's open the floor to questions and comments from the MRAC membership on the subcommittee's report.

As a reminder, please use the raised-hand feature or the chat functionality within WebEx to ask a question. For those of you dialing in, please refer to the meeting instructions that I think Alicia circulated should you wish to make a comment or ask a question. We will give the members a few minutes to respond in case they have any questions.

(Pause.)

CHAIRPERSON ZAKIR: Okay. If there are no questions or comments on the Interest Rate Benchmark Subcommittee report, we will move on to the briefing by the Climate-Related Market Risk Subcommittee. Thanks again, Tom, for your report.

As a reminder, we will be taking questions and comments at the end of the briefing. Bob Litterman is chair of this subcommittee. Bob, let me turn it over to you.

MR. LITTERMAN: All right. Thank you, Nadia. Can you hear me now? I trust that you can.

CHAIRPERSON ZAKIR: Yes, we can.

MR. LITTERMAN: Great. First of all, Chairman Behnam and members of the Market Risk Advisory Committee, I want to thank you for giving me the opportunity to chair the Climate-Related Market Risk Subcommittee and to discuss the subcommittee's report, "Managing Climate Risk in the U.S. Financial System," with you today. The report itself was made public last fall on September 9th, almost 6 months ago.

As you recognized in asking for the report, the financial sector has an important role to play in addressing the risks that climate change creates, which threaten our economy and the well-being of future generations. The central message of this report is that U.S. financial regulators must recognize that climate change poses serious risks to the U.S. financial system, and they should move urgently and decisively to measure, understand, and address these risks as well as to help increase the flow of capital toward building the net-zero economy of the future.

The key recommendations of our report include the following: U.S. regulators already have wide-ranging and flexible authorities to start addressing climate-related risks. They and market participants are at an early stage in understanding and should be experimenting with how best to monitor, manage, and disclose climate-related risks.

Insufficient data and analytical tools, including common transition scenarios and agreed upon decision-useful measures of exposure to climate-related financial risks, remain a critical constraint.

The lack of common definitions and meaningful standards for climate-related data and financial products is hindering the ability of market participants and the regulators to manage climate risk.

International engagements by the U.S. could be significantly more robust.

And financial markets would be able to channel resources efficiently and at the scale needed to activities that reduce greenhouse gas emissions if, and only if, an economy-wide price on carbon is in place that reflects the true social cost of such emissions.

I hope you are as pleased with this report as the subcommittee is. The quality of the content, the recommendations, the editing, and the production all certainly exceeded my expectations and reflected the extremely high caliber of the members of our subcommittee as well as our ability to reach into the expertise of all of the institutions represented. The fact that the subcommittee members unanimously endorsed the report, in a vote on September 8th, gave the recommendations additional significance.

You know, it is one thing if all of us agree on something, but neither me nor anyone else knows that we all agree, but it is a different state of the world if we all know that we agree on something, particularly if it is something important and we so say publicly. And that is what this report has done. It has indicated clearly that this is not a controversial and partisan issue. We all agree on the fundamental nature of the problems and the path forward.

Credit for this report goes to you, the MRAC, and Chairman Behnam for giving us the assignment and structuring our mandate in a manner that sets us up for success. You began this process to address climate risk management almost two years ago. I was not present that day in June 2019 when you heard from experts and discussed climate risk, but I was able to watch it later, and I want to congratulate you for following up that important meeting with the courage to create our subcommittee when many others were afraid to address what was viewed as a controversial topic.

You asked us to examine the risks created by a changing climate and to create a roadmap for how to address them. Given the importance and urgency of this task and the undisputed fact that, as then Commissioner Behnam put it at the time, "The playing field is empty," the subcommittee pushed forward with energy and enthusiasm. You made sure that we had members with appropriately diverse perspectives and different dimensions of expertise, but you also gave us a mandate to try to reach consensus. And armed with our diverse members, each of whom no doubt would have written a very different report if on their own, we were charged with moving as far as we could together in an effort to reach common agreement. The committee was asked to write a high-level report but to include many specific recommendations. We took our job as a risk committee seriously, and we had plenty of experience and expertise in both climate risk management and sustainable finance, which served us well.

I have already mentioned several important aspects of our mandate that contributed to success: that we were given an appropriate, broad mandate to address the fundamental cause of climate risk; that we included members from a remarkably diverse spectrum of financial market stakeholders, including banks; insurers; investors; asset owners; an exchange; agricultural, oil, and data companies; academics; and environmental NGOs; that we also had an ambitious but agreed-upon goal to try to reach consensus; but we should keep the report to a manageable length; and, finally, that we should include many specific recommendations.

This was very much a team effort, and I want to highlight especially Chairman Behnam's vision, which I trust we have fulfilled, and the extraordinary help of Chairman Behnam's chief of staff, David Gillers, my co-pilot in this venture. David provided all of the operational support the subcommittee needed. He kept us on track. He listened in all of the subcommittee discussions. And he provided the subcommittee and me personally, counsel on all of the important decisions.

As you may recall from my interim progress report in July, our subcommittee began with two in-person meetings marked by wide agreement on broad principles. Early on, the progress was fast. The meetings led to agreement on an outline, workstreams with leads and volunteers, and multiple drafts of each chapter were developed and reviewed. Very able editors Jesse Keenan, Leo Martinez-Diaz, and Stephen Moch were chosen from within the committee, and drafts of chapters with recommendations emerged.

With our initial draft ready, we asked the members to distribute it to relevant people in their organizations to ask for feedback and suggestions. We received almost a thousand responses to this initial draft. The workstream leads, the editors, David, and I carefully went through every one of those responses and made decisions of how to incorporate the feedback. Few paragraphs were untouched.

We then focused on areas of disagreement and red lines that organizations would be unable to cross. Over the summer, these quickly narrowed to a few areas of concern and serious negotiations. It was not an easy task, and there was a period of time when it was not clear that we could get to consensus, but we continued to push on to try to find wording that all could agree upon.

Ultimately, we were successful, and all members recorded their votes on behalf of their organizations to support forwarding the report to this committee. Since then, it has been widely read and well-received. For example, Mary Schapiro, former chair of the SEC, on February 2nd in a Brookings webinar called the report, "a superb roadmap for financial regulators to manage climate risk in the financial system." The Energy Transition Institute called it "a groundbreaking report."

Let me now review each chapter and its main conclusions. The executive summary lays out key findings: that Climate change poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy; policy and regulatory choices must be flexible, open-ended, and adaptable to new information about climate change and its risks, based on close and iterative dialogue with the private sector; climate policies must ensure that the burden does not fall on low-to-moderate income households and historically marginalized communities.

Chapter 1, "Introduction to Finance in the Face of Climate Change," highlights the policy context. The report addresses two interrelated challenges: one, safeguarding the soundness and stability of the financial system in the face of climate change; and, two, helping the financial system to facilitate the transition to a low-carbon, climate-resilient economy.

Incentives to reduce emissions are crucial. There is one recommendation in this chapter, to establish a carbon price that is fair, economy-wide, and effective in reducing emissions consistent with the Paris Agreement.

Chapter 2, "Physical and Transition Risks in the Context of the United States," digs into the risks themselves. Climate-related physical and transition risks are already impacting or are anticipated to impact nearly every facet of the U.S. economy and if not well-managed likely will materially impact the valuations of a range of assets.

Chapter 3, "Implications of Climate Change for the U.S. Financial System," introduces the concepts of acute and chronic impacts, tipping points, and both systemic and sub-systemic risks.

Climate-related financial impacts associated with physical and transition risks may manifest throughout the financial system. Climate change could pose systemic uninsurable risks to the U.S. financial system. At the same time, regulators should also be concerned about the risk of climate-related, sub-systemic risks that could impact entire regions, such as we just saw last week in Texas.

How impacts flow through the financial system depends on who holds these exposures. Insurance, reinsurance, and government assistance today provide shock absorbers. However, these resources could be exhausted over time.

Chapter 4, "Existing Authorities and Recommendations for Financial Regulators," looks at their role in managing climate-related risks. Financial regulators can better protect the U.S. financial system from climate risk by ensuring emerging risks are identified, measured, and effectively managed, including through existing legislation which already provides financial regulators with wide-ranging and flexible authorities and pragmatic approaches that stress continuous monitoring, experimentation, and learning.

Recommendations in this chapter span systemic risk oversight, 4.1 to 4.4; international coordination, 4.6; risk management and stress testing, recommendations 4.7 to 4.9; asset purchases, recommendation 4.10; insurance, 4.5 and 4.12 and 4.13; credit rating agencies, 4.14; and derivative risk management, 4.11, 4.15, and .16.

Chapter 5, "Climate Risk Management and Data," examines why climate risk analysis is peaked at an early stage and needs to be further developed. Financial institutions can undertake climate-related risk management but need reliable, consistent, and comparable data and methodologies. Regulators should support new and existing precompetitive open-source platforms as well as proprietary efforts to develop new climate risk datasets and tools.

Recommendations are made to support availability of climate risk data and analysis -- that is recommendation 5.1 -- to standardize definitions through U.S.-appropriate taxonomies, 5.2; and to build capacity, 5.3.

Chapter 6, "Climate Scenarios," focuses on how scenario analysis is used to analyze alternative climate-related future outcomes.

Climate-related scenario analysis can be a useful tool to understand and manage climate-related risks, on scenario structure, 6.1 through 6.5; regulators' role in prescribing scenarios, 6.6 through 6.10; capabilities and applications, 6.11 through 6.13; and risk manager usage, 6.14 through 6.16.

Chapter 7, "Climate Risk Disclosure," states that current climate-related risk disclosure is inadequate -- improved. Disclosure of material climate risk information to investors is an essential building block to ensure it is measured and managed.

Recommendations are made to build on TCFD, the G20-sponsored Taskforce on Climate-related Financial Disclosures -- that is recommendation 7.1 -- to clarify the definition of materiality for medium- and long-term climate risk, which must be disclosed under existing law

-- that is recommendation 7.2 -- to update the 2010 SEC guidance, recommendation 7.5; to find avenues for disclosure of other substantive climate risks, 7.3; and with respect to emissions, 7.6; derivatives, 7.7; accounting standards, 7.8 and 7.9; and municipals, 7.10 through 7.12.

Chapter 8, "Financing the Net-Zero Transition," which is perhaps the most urgent, examines how financial regulators can accelerate the transition and the flow of capital to a net-zero, climate-resilient economy. The chapter begins by highlighting that "A price on carbon," is the single most important step. Beyond that, financial regulators can foster effective and well-functioning markets that allocate capital efficiently, spur innovation, and create jobs in a growing net-zero economy.

We have recommendations to consider, including climate risk in fiscal policy, 8.1; catalyzing climate finance, 8.2 and 8.3; confirming the appropriateness of climate factors in fiduciary duty situations, 8.4; and support for climate finance markets, 8.5.

Four of the report's recommendations are directed specifically to the CFTC, and so I will highlight those now. Recommendation 4.11 suggests that the CFTC should undertake a program of research aimed at understanding how climate-related risks are impacting and could impact markets and market participants; and, drawing on the conclusions of the research program above, review the extent to which existing CFTC rules are adequate to monitor and manage climate-related risks; expand its own central counterparty stress testing to cover the operational continuity and organization resilience of central counterparties. As better understanding emerges of the risk-transmission pathways and of where the material climate risks lie, consider expanding the CFTC's risk management rules and related quarterly risk exposure reports to cover material climate-related risks.

In addition, recommendation 4.16 suggests the CFTC should review the extent to which financial market infrastructure, including but not limited to systemically important financial market utilities for which it is the primary regulator, is resilient against losses that could arise through the physical impacts of climate change.

Recommendation 7.7, from the chapter on disclosure, suggests:

Regarding derivatives, financial regulators should examine the extent to which climate impacts are addressed in disclosures required of the entities they regulate and consider guidance and rulemaking if disclosure improvements are needed. This could include, for example, swap dealers registered with the CFTC, risk management rules that govern risk identification approaches; quarterly risk exposure reports; and business conduct rules that govern disclosure of material information to counterparties prior to entering into a swap.

Recommendation 8.5, regarding financing the transition to a net-zero economy, suggests the CFTC should pursue the following activities to further catalyze climate finance market development: survey market participants about their use of climate-related derivatives, the adequacy of product availability and market infrastructure, and the availability of data to incorporate climate impacts into existing and new instruments; consider appropriate and targeted exemptions where needed to help facilitate coordination with other regulators and promote market development; support the study and adoption of alternative execution methods, such as block trading, auction-style markets, or incentive programs, to attract liquidity providers to make climate-related markets; and coordinate with other regulators to support the development of a robust ecosystem of climate-related risk management products.

Many of our recommendations are now being considered, and some have already been implemented. The Federal Reserve, for example, recently established a climate-risk management committee and joined the Network for Greening the Financial System. The Treasury Department has established a climate-risk hub with multiple workstreams focused on climate-risk. The New York State Department of Financial Services sent a letter outlining its expectations related to addressing the financial risks from climate change to all New York-regulated banking organizations.

Business organizations are also evolving in their statements about climate change. The Business Roundtable, the Chamber of Commerce, the National Association of Manufacturers, and even the American Petroleum Institute are all now supporting or moving toward support for market approaches to reducing emissions. Hundreds of companies, municipalities, universities, states, and countries are now making pledges to reach net-zero by 2050, and many investors and asset owners are pledging to align their portfolios with a rapid transition to net-zero.

Market valuations of fossil fuel companies have significantly declined in recent years, even as the broad market has continued to rise. Meanwhile, companies focused on clean tech, electric vehicles, batteries, renewable energy, carbon allowances, and other assets associated with the clean-energy transition have seen their relative valuations increase dramatically, especially in the past six months, as the prospects for carbon pricing have increased. For example, since the post-COVID low in March 2020, Tesla has increased in valuation by over $600 billion dollars, while co-valuation of Ford and GM together have today is less than $120 billion dollars.

I would like to focus attention on the urgency of recommendation 1 in our report, the need to establish an effective price on carbon. As a risk management professional focused on climate change, I have been working for the past decade to highlight the need to create strong, globally harmonized incentives to reduce emissions. It is important to understand that this root cause of climate change is a problem that can be easily fixed if our leaders have the will to do so. What is required is simply a small change in the tax code that will create appropriate incentives to reduce emissions and significant revenues that governments need to address climate challenges. European countries have already created such strong incentives to reduce emissions. China is in the process of implementing a nationwide carbon pricing system, and it is long past time for the United States to move forward. Like a bug in computer code, not pricing climate risk is a bug in the United States tax code that needs to be fixed. We understand how to fix it, and it is critically important to the safety of future generations that we do so immediately.

In closing, I would like to tell you a true story that may, in part, explain my passion on this topic. In 2014, my wife, Mary, and I nearly died in a traffic accident. Mary saw a flaming, out-of-control gasoline tanker about a quarter of a mile away but barreling straight at us from across a divided freeway, and she exclaimed, "Oh my God, Bob. Watch out" just in time to allow me to slam on the brakes, swerve, and avoid a head-on crash into a huge gasoline conflagration, which erupted seconds later right in our path. It closed the entire freeway and burned for seven hours. Those five seconds between when Mary saw the danger and when we passed through the flames and debris but avoided disaster by a fraction of a second were the longest five seconds of our lives, and they play over and over in our memories.

Since that experience, I feel in my gut the parallel of managing climate risk, where we have heard the warning from science and we have seen the danger. And yet, even today, while we do not know how much time we have left and we watch as the risk continues to grow, collectively we have not yet reacted.

Because of the long lags in the planetary system, we must create those strong incentives now in order to hope to ensure that future generations can avoid climate disasters decades from now. Pricing carbon is the only brake with the power and the scale to guide the required flow of capital toward the net-zero economy, but our foot, unfortunately, is still on the accelerator.

Thus, when Chairman Behnam asked me to chair this subcommittee, I was not only honored to do so but committed to use this risk committee and its report to make clear that the roadmap to addressing the systemic risks to the U.S. financial system created by climate change includes buying insurance for future generations by pricing carbon.

I suspect we all understand how incredibly efficient the financial markets are in driving capital toward opportunities to make profits given the incentives that investors face. Today, unfortunately, those incentives continue to direct capital in what we all agree is the wrong direction: toward the existing, fossil-fuel-driven, high-carbon economy. When those incentives change, there will be a rapid change, a rapid phase change, in the flow of economic capital toward opportunities to make profits given the incentives that we have.

The longer we delay in implementing carbon pricing, however, the more pollution will enter the atmosphere, the higher will be the ultimate average temperature change, and the greater will be the risk of crossing a tipping point leading to the type of non-linear response that can create irreversible damage to global ecosystems and human well-being.

Let me conclude by summarizing our message succinctly. It is time to slam on the brakes. Thank you. I am happy to take any questions.

CHAIRPERSON ZAKIR: Thank you, Bob. And congratulations to you and David, Acting Chair Behnam, and the entire subcommittee for a report that is so critical and important and timely and obviously just reflected a tremendous amount of work.

We are now going to open --

MS. LEWIS: Nadia, we can’t hear you. Make sure your phone is not muted. And use the microphone icon to mute and unmute.

CHAIRPERSON ZAKIR: Can you hear me now?

MS. LEWIS: Yes.

CHAIRPERSON ZAKIR: Okay. Let me repeat myself, then.

So, thank you, Bob. And thank you for all of the work that went into this report. Obviously, this has been a very critical and important and timely report and is also very insightful. And congratulations to you and the subcommittee for putting this out.

We are now going to open the floor to questions and comments from the membership on the briefing. As a reminder, please use the raised-hand feature or the chat functionality if you would like to speak.

And while we are waiting for members to gather their questions, I would also like to remind members to please respond to the poll. If you navigate to the "Participants" tab in WebEx and then under the "Polling" tab, you will sort of see the polling questions there. If you can take a few minutes, please, to respond to that poll, that would be great. And, obviously, the individual responses to those polls are anonymous.

We will turn now to see if we have got some questions from our MRAC members. Let me turn first to Salman Banaei. Salman joins us from IHS Markit, where he is Executive Director, Global Head of Clearance and Settlement. Salman, you have the floor.

MR. BANAEI: Okay. Thank you, Nadia. Thank you, Chairman Behnam, the Commission, Alicia, for sponsoring and supporting this important work. I also want to commend and congratulate my colleagues on the Climate Risk-Related Subcommittee. I think history is going to look back on the report as a turning point for U.S. financial regulators’ approach to assessing and mitigating climate-related risks.

I have written some comments, some written comments, that you can find in the comments file, but I wanted to give just a summary with the benefit of five months passing since the publication of the report some additional policy ideas that I’m suggesting regulators should think about.

First and foremost for the CFTC, that means engaging the cash carbon markets. According to the Taskforce on Scaling Voluntary Carbon Markets, where they indicated that voluntary carbon markets need to grow 15-fold to achieve the Paris Agreement's 1.5 Celsius temperature increase target by 2030, we need to see 15-fold growth there.

The recommendations of the taskforce, many of them, target market integrity, supporting market integrity, for the growing voluntary carbon markets. And that is an area where the CFTC's expertise in ensuring market integrity can play a valuable role. Through perhaps the last CFTC, the CFTC and its staff can engage with innovators in this growing asset class.

Now I will have to note that the CFTC has indirect in many cases oversight over these markets. It does have direct authority to pursue fraud and manipulations in the cash carbon markets, but, even largely symbolic support, I think can help these markets feel more confident footing.

There is also some promise I made in connection with the SEC's efforts, likely efforts, to increase disclosures around climate-related risks and create new standards. There, I think there is a couple of comments I want to highlight. First is making those disclosures machine-readable and then focusing on disclosures that make the credibility of climate risk mitigation efforts more evident to investors, banks, and others. So, these would be disclosures around things like net-zero emissions commitments, the use of internal carbon pricing, participation in voluntary emission-reduction programs, carbon-credit inventories, cost of carbon hedging, et cetera.

And then the last comment, the last follow-through suggestion I want to make -- and I am not sure if the subcommittee thought about this, but the EPA has authority under Section 115 of the Clean Air Act to potentially impose emissions targets. That would be administered at the state level. And Section 115 can be a really valuable tool, also for financial regulators, because it would increase -- essentially the demand side of carbon emissions credits, which can play a critical role in ensuring price discovery in the growing carbon markets.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Salman.

We also have a question from Eileen Kiely, Eileen is Managing Director, Deputy Head of Counterparty Risk at BlackRock. Eileen, you have the floor.

MS. KIELY: Yes. Thank you very much, Nadia. And thank you, Bob, for such a thorough discussion on the paper.

Though BlackRock was not a member of the subcommittee, we commend the subcommittee and the Commission's broader efforts to advance the critical question of how to address climate risk in our financial markets. In order to achieve better risk-adjusted returns, investors need to take into account both sets of risks and opportunities to taking a company ashore. And that includes climate-related risks.

The report recognizes that assessing sustainability risks requires access to consistent, high-quality, and material public information. In fact, we expect companies to disclose plans for their business in a net-zero economy. Accordingly, we support moving to a single global disclosure standard so investors can better evaluate long-term return potential.

The report provides many important recommendations to advance the standardization of both the measurement and the disclosure of climate risk. And we look forward to working with the regulators and the industry to further these efforts.

Thank you very much for the time for those comments.

CHAIRPERSON ZAKIR: Thank you, Eileen.

We will now turn to Marnie Rosenberg. Marnie is Managing Director and Global Head of Clearinghouse Risk and Strategy at JPMorgan. Marnie, you have the floor.

MS. ROSENBERG: Thank you. Thank you, Nadia. Thank you, Bob Litterman, for providing us such a detailed overview of the report that was issued last September. I think that was really, really helpful.

So, I just want to make a couple of comments today. As we all know, climate change is one of the most critical issues of our time and as a major bank, JPMorgan Chase recognizes that business clearly has a role to play in addressing climate and advancing the transition to a lower carbon economy.

We are using our business expertise and resources to drive sustainable solutions that help to protect the environment and grow the economy. As an example, last year, JPMorgan Chase launched a Paris Alliance financing commitment and made a commitment to become carbon-neutral in our operations beginning last year. We also recognize that policy and business leaders must work together towards a sustainable future and have a history of advocating for market-based policy solutions.

As part of these efforts, you know, we were very happy to be very engaged, Bob, with you and David through Renee Ramos of JPMorgan in working on this report, which is very comprehensive and which focused on, you know, all of climate risk and regulation.

So, we look forward to continue engaging with policy and business makers to really start a sustainable -- to chart a sustainable path forward. Thank you for the time.

CHAIRPERSON ZAKIR: Thank you, Marnie.

I don’t think I am seeing any more questions. Let me just do one last check here.

MS. LEWIS: Nadia?

CHAIRPERSON ZAKIR: Yes?

MS. LEWIS: Commissioner Berkovitz has his hand raised.

CHAIRPERSON ZAKIR: Yes, I see that here. Commissioner Berkovitz?

COMMISSIONER BERKOVITZ: Thank you, Nadia. Thank you, Bob, for an excellent presentation and an excellent report. And I want to thank all of the committee members for such a thorough, comprehensive, and excellent report. There is really a lot to digest in there and think about. And I am sure we will be looking at it in more detail in the weeks and months ahead. And I look forward to that.

My question is just focused on one small part of this right now -- we have a very long discussion -- but particularly focused on the role of financial market regulators. And there is significant importance in the number of recommendations regarding disclosures.

And just from a perspective of an agency like us, the CFTC, what do you foresee as our role in those disclosures? We could, you know, for example, write a regulation that would say, "Thou shalt disclose" X, Y, and Z. Do you foresee a role for the agency in judging those disclosures and setting standards for those disclosures and the adequacy of the disclosures, reviewing them, or would that be something just for the market participants? What would our role be in implementing that type of disclosure regime?

MR. LITTERMAN: Sure. I would say that the members of the subcommittee felt very strongly that we are at an early stage here in terms of disclosure. And disclosures of climate-related risk are different than typical financial risks. They have a much longer horizon, time horizon. And we also know that the future is going to be different than the past. So those are two important differences.

And so, we have to develop -- I think the feeling of all of the members was that we have to develop a better understanding of what are the material climate related risk factors? And they will be different for different industries.

So, the TCFD has given us a good starting point, but I think what we need is a common working together between the regulators and the regulators working together but also working with individuals in the financial system to develop those standards and those understandings of what are the material risks that need to be disclosed. So, it is going to be an iterative process. It is going to take time.

We talk about the need to develop a taxonomy that is understood but one that makes sense for the United States and we also talk about the fact that, you know, these are discussions that need to take place between asset owners and the corporations in terms of are they on track to be aligned with a net-zero economy and if so, what are the metrics that make sense for each industry and, frankly, for each company?

COMMISSIONER BERKOVITZ: Thank you. I look forward to working with you and the other committee members on these issues going forward. Thank you.

MR. LITTERMAN: Thank you.

CHAIRPERSON ZAKIR: Thank you again, Bob and Commissioner Berkovitz. I am just going to do one final sweep to see if there are any further questions. And then we will move to our next session here. Okay.

(No response.)

CHAIRPERSON ZAKIR: Since there are no further questions or comments on the Climate-Related Market Risk Subcommittee report, thank you again, Bob, for your report.

We will move on to the report of the Market Structure Subcommittee. Lisa Shemie and Stephen Berger are the co-chairs. Lisa and Stephen, I will give you the floor.

MR. BERGER: Thank you, Nadia.

This is Stephen Berger here, for the group's reference. We will be presenting two reports and sets of recommendations on behalf of the Market Structure Subcommittee.

The first report and recommendations will relate to changes to the "made available to trade" process, and the second, which I will be presenting. And the second relates to the swap dealer landscape, which Lisa Shemie will be presenting. So, I will start with the report and recommendations regarding the "made available to trade" process. We will then have an opportunity for discussion and then a vote on that report before then moving to the swap dealer landscape report, where we will follow the same sequence.

So, turning to the report and recommendations on the "made available to trade" process, so many of you may be familiar with this already, but for background, the scope of the trade execution requirement in the swaps market, which is the obligation to trade certain cleared swaps on swap execution facilities or designated contract markets -- I will refer to both collectively going forward as the SEFs -- is currently set through what is called the "made available to trade," or MAT, process.

Under current Commission rules, SEFs themselves and alone are provided with authority to make those MAT determinations and, by extension, determine the scope of swaps that are subject to the trade execution requirement and that the overall appropriateness efficacy and sustainability of the current MAT process has been examined at length since its initial adoption. And so, to sort of kind of level set, we provided in our report an overview of all of the sort of prior fora in which revisions of the MAT process have been reviewed.

So, there was a CFTC roundtable, staff roundtable, back in 2013. We provided some details about that in Appendix C of our report. In the Treasury, Treasury's capital markets report, in October of 2017, they made some recommendations in this regard following a pretty significant round of industry outreach. So, we have highlighted those in Appendix D. And, then, when the CFTC proposed revisions to its SEF rules back in November of 2018, though they were subsequently withdrawn in December of 2020, there were some proposed changes to how the MAT process worked, which met with a number of comments from industry. By our count, there were 25 comment letters at the time that that weighed in on revisions to the MAT process. And so we have cited comments at the time and the details of that proposal in Appendix E.

So, we have tried to provide a historical context for all the discussions that have happened up until now, but, you know, we concluded as a subcommittee that, despite all of these past in-depth discussions, there hasn't been a consensus blueprint among market participants put forward on what changes are warranted. So, the goal of the subcommittee was to come up with that consensus blueprint and recommend it for consideration by the whole Market Risk Advisory Committee.

So, we arrived at four principal recommendations. The first is to provide the Commission with the authority through its rulemaking process to determine that a swap is "made available to trade." So, this would complement the authority that currently resides exclusively with SEFs.

The second recommendation would be to enhance the criteria that are used when either the Commission or SEFs make a MAT determination. We will go into this in a little bit more detail, but this refers to the six factors that are evaluated when making a MAT determination.

The third recommendation is to modify the length of time between when a MAT determination is made and when the trade execution requirement becomes effective.

And the fourth recommendation is to create additional avenues for certain existing MAT swaps to no longer be subject to the trade execution requirement.

I will discuss each of those in slightly more detail, but I just wanted to emphasize first that the subcommittee believes that these proposed recommendations will help address a range of concerns that have been expressed since the current MAT framework was adopted, including the following.

First, we are aware that there haven't been any new MAT determinations made since late 2013. So that is, you know, seven and a half years where we haven't seen any new MAT determinations made. I think market participants are generally more comfortable with the scope of the initial MAT determinations that were made and became effective in early 2014, but it does beg a question why we haven't seen any changes to the overall scope of the trade execution requirement in the intervening seven and a half years.

Another array, another concern that we think these recommendations will address is that there is concerns that a potential conflict of interest may exist when SEFs have the sole authority to determine the scope of the trade execution requirement, given that they are then the venues where those products have to be executed.

The next concern we think these recommendations will address is an inconsistency between the U.S. approach to setting the scope of the trading obligation for swaps and how that process works in foreign jurisdictions and particularly challenges that may emerge going forward when we want to ensure continued alignment of the scope of the trading obligation across borders. I think we exist -- at present, we have a, fortunately, good alignment for example between the U.S. and the E.U. in terms of the scope of the trading obligation, but it is unclear to us how that would be maintained going forward when in the E.U., the authority to set the scope of the trading obligation resides with the regulatory authority and in the U.S., it does not.

And, lastly, a concern that we think this will help address is making sure that there is a seamless and straightforward process to update the scope of the existing MAT determinations, which I think we all realize will at some point in the coming years become out of date as trading in LIBOR swaps diminishes or ceases and trading in swaps referencing SOFR and other new risk-free rates emerges. So right now, the current MAT determinations all reference LIBOR swaps. So, there will need to be a process for updating them going forward.

So those are the concerns we believe these recommendations will address. I will quickly -- I think I provided a preview already, but, again, the first recommendation is to provide the Commission with the authority to determine that a swap is "made available to trade." And we think, you know, having a Commission-initiated process alongside the current SEF-initiated process is warranted. And we note that that Commission process will consider the same factors that are outlined in current Commission rules for the process to consider, though we are obviously proposing modifying those, and would also allow for a standard public and notice and comment period. And we think this would more logically parallel the process that already exists at the Commission level for setting the scope of the clearing obligation so there would be a more equivalent process between how the clearing obligation is set and how the trading obligation is set.

The second recommendation, as I noted, was to enhance the MAT criteria. So right now, there is a six-factor test. We have provided details of those factors I think in Appendix A. So, we have proposed some specific revisions here, including changing the standard to say that the six criteria must be considered, as opposed to shall be considered, clarifying that all of the factors should be reviewed, as opposed to just one or fewer than all six. We have proposed adding a factor that at least two SEFs list a given swap before it can be made subject to the trade execution requirement and that a minimum amount of trading history, such as 90 days, be required before a swap can be subject to a MAT determination.

So that is our second recommendation to enhance the MAT criteria. The third is to change the effective date of when the trade execution requirement is triggered following a MAT determination. It currently sits at 30 days. We propose that that be changed to 90 days.

And, finally, we propose that there be a revision of when and how swaps can be removed from the trade execution requirement, which has been referred to as de-MATed. Right now, the only process under the existing rule is that if the swap is no longer listed on any SEF, then it will be removed from the scope of swaps that are subject to the trade execution requirement. We think there should be a more symmetric process where, you know, following the six-factor test, for example, a swap if it no longer meets the factors that were initially met when it was made subject to a MAT determination, that it could be effectively de-MATed or have that MAT determination removed.

So those are the four core recommendations. The subcommittee did consider some other areas for future consideration, though did not go so far as to make a recommendation. So those are highlighted in the report as well. There was discussion about whether an industry advisory body would be a useful addition to advise on what the correct scope of the trade execution requirement should be. There is ongoing discussions about how to ensure that MAT determinations are appropriately tailored in their application between outright transactions versus package transactions, and there has been some discussion about under what circumstances it may be appropriate to have a suspension of the trade execution requirement due to technical outages at certain SEFs or other market events. So those are areas that are identified as worthy of further consideration but where an affirmative recommendation was not proposed by the subcommittee.

So, with that, I would note that, you know, the subcommittee -- you know, when we voted on this, we had of the 18 members who were present for the vote, 16 in support and 2 abstained. So, there was pretty strong unanimous support for the recommendations that are contained in this report.

And so, with that, I will conclude my presentation of the report. And, moving to the more official procedural aspect of this, I will say that, by direction of the Market Structure Subcommittee, I move that the subcommittee's report containing recommendations regarding the "made available to trade" process be adopted by the MRAC and submitted to the Commission for consideration.

CHAIRPERSON ZAKIR: Thanks, Stephen.

Since the motion is coming from the subcommittee, a second is not required. Are there any questions or comments on the report? I am going to wait just a few seconds to see if any members have any questions through the WebEx.

(Pause.)

CHAIRPERSON ZAKIR: We do have a few member questions. Marnie Rosenberg from JPMorgan, let me turn it over to you.

MS. ROSENBERG: Thank you, Nadia. And thank you, Stephen and to Lisa for leading this subcommittee and having such comprehensive report coming out of it. We weren't on the subcommittee, but I know that there was a lot of time and investment made in looking at this process.

So, I just wanted to make a couple of comments regarding the report and the recommendations. So, first of all, we support many of the subcommittee's recommendations on enhancing the "made available to trade” process. Above all, we believe it is critical for market efficiency and resilience that the trade execution requirement is only applied to suitable products. And, for that reason, we support the recommendations for notice and comment period as part of the MAT process and enhancement of the MAT criteria.

We do believe that if the Commission chooses to move forward with an enhanced CFTC-initiated MAT process, that it should actually replace the current SEF-initiated process. Should the SEF-initiated process be retained, at a minimum, it should be subject to the same enhancements being recommended for the CFTC-initiated process, such as the notice and comment requirement.

And, then finally, many of the recommendations in the subcommittee report are drawn from the proposals raised in the CFTC 2018 proposed rule on SEF and trade execution. We do believe that other aspects of the 2018 proposed rule are also worthy of being revisited. For example, the proposal will make the methods of execution more flexible. This would also be consistent with the approach to the trade execution requirement in non-U.S.

loss markets.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Marnie.

I will now turn over to Eileen Kylie, who also has a question or a comment. Eileen joins us from BlackRock.

MS. KIELY: Thank you very much, Nadia. And thank you very much for providing BlackRock the opportunity to provide additional thoughts from the perspective of the end-user, whose ultimate investment positions are obtained through the execution of financial contracts, whether on an exchange or SEF or otherwise.

So, there are two considerations we would like to raise for the Commission when reviewing the "made available to trade" process more broadly. The first is to consider the interplay between the MAT determination and regulatory-established block size limits. And the second and more pressing is the interplay between the MAT determination and the imminent cessation of LIBOR.

With respect to block sizes, block sizes are established to enable the efficient execution of large risk transfers. Non-MAT trades are subject to post-trade reporting requirements, but once a contract is subject to MAT, it becomes subject to pre-trade price transparency. And this pre-trade price transparency makes efficient execution of large risk transfers more complex. And the Commission should consider calibrating block sizes to account for this complexity, especially during stressed markets like we saw last year at this time.

Finally, with respect to LIBOR cessation, the imminent cessation of LIBOR will create a real-world test for how the MAT determination adjusts to market liquidity. Currently, LIBOR swaps are subject to MAT, while the alternative reference rate swaps are not. So as the market transitions away from LIBOR, the Commission should actively prepare for how to MAT and de-MAT the relevant contracts.

And that is all we had to say. Thank you.

CHAIRPERSON ZAKIR: Thank you, Eileen.

Just going through here one more time to see if there are any further questions or comments on the report.

(No response.)

CHAIRPERSON ZAKIR: Very well. We will now take a vote on the motion that the MRAC adopt the subcommittee's report containing recommendations regarding the "made available to trade" process and submit the report to the Commission for consideration.

As a point of order, a simple majority is necessary for the motion to pass. I am going to now turn it over to Alicia to conduct a roll call vote. Alicia?

MS. LEWIS: Committee members, when I call your name, please indicate your agreement with "Aye," disagreement with "Nay," or indicate "Abstain" if you are abstaining from the vote. Please remember to unmute your audio to indicate your vote and to mute your audio once you have finished voting. Okay.

Salman Banaei, IHS Markit?

MR. BANAEI: Abstain.

MS. LEWIS: Salman Banaei abstains.

Stephen Berger, Citadel?

MR. BERGER: Aye.

MS. LEWIS: Stephen Berger votes aye.

Richard Berner?
MR. BERNER: Aye.
MS. LEWIS: Richard Berner votes aye.
Lee Betsill?
MR. BETSILL: I also vote aye, Alicia.
MS. LEWIS: Lee Betsill votes aye.
Peter Borish, Quad Group?
MR. BORISH: In favor.
MS. LEWIS: Peter Borish votes aye.
Bis Chatterjee?
MR. CHATTERJEE: This is Bis. I vote aye.
MS. LEWIS: Bis Chatterjee votes aye.
Alicia Crighton?
MS. CRIGHTON: Aye.
MS. LEWIS: Alicia Crighton votes aye.
Chris Dickens, HSBC?
MR. DICKENS: Aye.
MS. LEWIS: Chris Dickens votes aye.
Shelly Goodwin, BP?
MS. GOODWIN: Aye. Thanks, Alicia.
MS. LEWIS: Shelly Goodwin votes aye.
Matthias Graulich, Eurex Clearing?

MR. GRAULICH: Aye.
MS. LEWIS: Matthias Graulich votes aye.
Graham Harper, FIA - Principal Traders Group?
MR. HARPER: Aye.
MS. LEWIS: Graham Harper votes aye.
Lindsay Hopkins, Minneapolis Grain Exchange?
MS. HOPKINS: Aye.
MS. LEWIS: Lindsay Hopkins votes aye.
Frank Hayden, Calpine Corporation?
MR. HAYDEN: I vote aye.
MS. LEWIS: Frank Hayden votes aye.
Annette Hunter, Federal Home Loan Bank of Atlanta?
MS. HUNTER: Aye.
MS. LEWIS: Annette Hunter votes aye.
Angie Karna, Nomura Global Financial Products, Inc.?
MS. KARNA: Aye, Alicia.
MS. LEWIS: Angie Karna votes aye.
Demetri Karousos, Nodal Exchange?
MR. KAROUSOS: Aye.
MS. LEWIS: Demetri Karousos votes aye.

Eileen Kiely, BlackRock?

MS. KIELY: Aye.

MS. LEWIS: Eileen Kiely votes aye.

Derek Kleinbauer, Bloomberg SEF?

MR. KLEINBAUER: Aye.

MS. LEWIS: Derek Kleinbauer votes aye.

Robert Mangrelli, Chatham Financial?

MR. MANGRELLI: Aye.

MS. LEWIS: Robert Mangrelli votes aye.

Kevin McClear, Intercontinental Exchange?

MR. McCLEAR: Aye.

MS. LEWIS: Kevin McClear votes aye.

Dennis McLaughlin, LCH?

MR. McLAUGHLIN: Aye.

MS. LEWIS: Dennis McLaughlin votes aye.

Craig Messinger, Virtu Financial?

MR. MESSINGER: Aye.

MS. LEWIS: Craig Messinger votes aye.

I'll get to the next page. Dale Michaels, The Options Clearing Corporation?

MR. MICHAELS: Aye.

MS. LEWIS: Dale Michaels votes aye.

John Murphy, Commodity Markets Council?

MR. MURPHY: Aye.

MS. LEWIS: John Murphy votes aye.

Sam Priyadarshi, Vanguard?

MR. PRIYADARSHI: Aye.

MS. LEWIS: Sam Priyadarshi votes aye.

Marnie Rosenberg, JPMorgan?

MS. ROSENBERG: Aye.

MS. LEWIS: Marnie Rosenberg votes aye.

James Shanahan, CoBank?

MR. SHANAHAN: Aye.

MS. LEWIS: James Shanahan votes aye.

Lisa Shemie, Cboe Global Markets?

MS. SHEMIE: Aye.

MS. LEWIS: Lisa Shemie votes aye.

Betty Simkins?

(No response.)

MS. LEWIS: Betty, you have to take yourself off mute. Use the microphone icon. A/V, can you take Betty Simkins off?

MS. SIMKINS: Okay.

SPEAKER: Oh, she did. Okay.

MS. LEWIS: Go ahead, Betty.
MS. SIMKINS: Aye.
MS. LEWIS: Betty Simkins votes aye.
Tyson Slocum, Public Citizen?
MR. SLOCUM: Abstained.
MS. LEWIS: Tyson Slocum abstains.
Sujatha Srinivasan, Goldman Sachs? Sujatha Srinivasan, Goldman Sachs?
MS. SRINIVASAN: Aye.
MS. LEWIS: Sujatha Srinivasan votes aye.
Marcus Stanley, Americans for Financial Reform?
MR. STANLEY: Abstain.
MS. LEWIS: Marcus Stanley abstains.
Robert Steigerwald? Oh, sorry. Scott Zucker, Tradeweb?
MR. ZUCKER: Aye.
MS. LEWIS: Scott Zucker votes aye.
One moment. Madam Chair, you have 30 yes votes, 0 no votes, and 3 abstentions.
CHAIRPERSON ZAKIR: Thank you, Alicia. The ayes have it, and the motion carries. The Market

Structure Subcommittee's report containing recommendations regarding the "made available to trade" process has been adopted by the MRAC and will be submitted to the Commission for consideration. Thank you, everyone.

I am now going to turn it over to Lisa to present her report on the swap dealer landscape. Lisa?

MS. SHEMIE: Thank you so much, Nadia.

My name is Lisa Shemie, and I currently serve as Associate General Counsel with Cboe Global Markets and as Chief Legal Officer of each of Cboe FX's trading venues: Cboe FX Markets and Cboe SEF.

I wanted to start by thanking again Acting Chairman Benham for giving me the opportunity to serve as co-chair of the Market Structure Subcommittee of the MRAC together with my colleague Stephen Berger. It has been an exciting and intense exercise involving interesting dialogue with the diverse membership of the Market Structure Subcommittee to work towards a common goal.

I also wanted to commend the Commission as a whole for seeking to work so closely with its constituents to explore issues of market risk for the benefit of the entire market. We are very grateful to be involved in these important discussions.

And, of course, thank you very much to Alicia Lewis and Nadia Zakir for all of their guidance and support through this process.

Just as a quick reminder, at the last in-person meeting of the MRAC that was held in December 2019 that feels like it was a million years ago, Stephen and I presented a list of possible topics for the Market Structure Subcommittee to consider, as suggested by our membership. Those topics span several major themes in the swaps market, involving trading, regulatory reporting, clearing, cross-border issues, margin, and even the treatment of foreign exchange. In the past few months, the subcommittee settled on addressing the MAT process and the swap dealer landscape as each topic represented key issues for the majority of our member firms and, even more importantly, topics where we felt we could agree on impactful recommendations.

Obviously, Stephen has presented the now-approved report on the MAT process, and I am going to turn now to our report on the swap dealer landscape and the subcommittee’s recommendations.

The objective of the work on this side of the equation of the subcommittee was to consider ways to seek to encourage liquidity and diversity among liquidity providers trading on swap execution facilities and designated contract markets without undermining the goal of swap dealer regulations. We didn’t consider this objective to be novel or unexpected. Rather, we sought to continue the many discussions within the industry on tackling this issue, and we hope to reignite and accelerate those discussions towards proposed solutions.

To start with the punchline, the Market Structure Subcommittee’s report recommends that the Commission exempt swaps that are exchange-traded, meaning traded on a SEF or a DCM, and that are centrally cleared from the swap dealer registration threshold calculation; and, further, that the Commission explore additional potential modification to the swap dealer regime to encourage additional liquidity without undermining the objectives, its objectives, or will increase in systemic risk.

In order to pursue this discussion, the subcommittee reviewed the original goals of swap market reform with a view towards pulling them apart to examine ways in which the Commission might seek to expand liquidity in the swaps markets while ensuring that those key elements of swaps reform were fulfilled. We started by setting forth an extremely brief recap of the goals and key elements of swap market reform in our report, recognizing that the primary objective of that reform was to address the risks that the previously unregulated swaps market posed to the financial system following the crisis.

In response to the role the swap markets played in the crisis itself, the various financial regulatory agencies proposed two complementary regulatory regimes. The first was a central clearing and central trading regime, recognizing that the futures markets functioned well during the financial crisis and that certain parts of the swap markets had become sufficiently standardized to be supported by a centrally traded and cleared market infrastructure. Congress called for those swaps that were sufficiently standardized to be centrally cleared and those suitable for central trading to be traded on a separate DCM.

The second regime sought to address bespoke and other swaps that were not suitable for central clearing and trading in order to regulate what remained. And those bespoke and other swaps were to remain in the OTC market under a specific regime designed to address the risk to the marketplace by regulating the large dealers and intermediaries, namely swap dealers.

The policy considerations and key elements of each of the central clearing trading regime, on the one hand; and the swap dealer regime, on the other, are essentially the same. Those key elements include capital margin reporting and business conduct standards.

Alongside the implementation of the central clearing and trading mandates, Congress included registration and regulation of large dealers as part of its swap markets reform. Later in this report, we will, what we tried to do is seek to demonstrate that exempting certain swaps from the de minimis thresholds for swap dealer registration won't meaningfully undermine the pillars of swaps regulation.

To start just with a brief recent history of the fact that the Commission has recognized this lack of difficulty in attracting certain firms to the swaps market, to the regulated swaps market, the Commission has sought to address that lack of new entrance of liquidity providers in various ways. One of the principal ways that they thought to do so was through an alternative regulatory regime, the floor trader exemption. The floor trader exemption to the swap dealer definition was intended to allow firms that registered as floor traders but not as swap dealers to access the swap markets on DCMs and SEFs.

Following its enactment in 2013, the Commission received input from market participants over several years. And the Commission has sought to address those concerns of market participants by issuing a series of no-action relief, the last of which was issued as recently as July 2019. Unfortunately, even following the issuance of that no-action relief, it appears that firms have not sought to register as floor traders and to avail themselves of this exemption.

Although it is difficult to understand exactly why that is, it is very clear that they have not done so. A couple of comments have been made over the years, in particular, by some of the Commissioners as to why that might be and a couple of quotes, as interesting anecdotal evidence. Commissioner Berkovitz upon the issuance of the 2019 no-action commented that a rulemaking to amend the swap dealer definition is the best way to fix the issues with the current rule.

Further, Commissioner Quintenz, in actually objecting to the issuance of that relief, stated that the floor trader exception from swap dealer registration only applies to proprietary trading firms that have historically never been required to register with the Commission. These firms, which risk their own capital and do not have customers or investors, can participate freely in the futures markets without registering with the CFTC. And he went on to say that any proprietary trading firm that takes advantage of this revised floor trader exception should remember that no-action relief can be withdrawn at any time and with little notice.

Moving on from the floor trader exception, the

Commission also sought to further explore the de minimis exception to the swap dealer definition itself and issued various reports over the years seeking to determine whether the threshold was appropriate. As part of the work culminating in the final rule on the de minimis exception, the Commission sought comment on the idea of exempting exchange-traded and/or cleared swaps from the de minimis threshold as well as exempting non-deliverable forward exchange floors, NDFs, from the de minimis.

The Commission received a very large number of comments in response to that final rule and request for comment. And most commenters supported including an exception for exchange-traded and/or cleared swaps. Only two of the comments that were submitted opposed that idea. Further, most commenters generally supported including an exemption for NDF. And only one comment commenter was opposed.

So, in light of the general support by the industry, the Market Structure Subcommittee thought it made sense to try to pull those threads and see if we could come back to the ideas that the Commission had already explored. And the Commission did go on to say that it may actually consider exempting exchange-traded and/or cleared swaps in response to those comments. Through the effort, you know, recognizing that the Commission left open the issue of whether to further pursue the idea of exempting certain swaps from the de minimis threshold, we thought it made sense to try to revisit this in order to seek to enhance liquidity on the swap markets. And we hope that these recommendations may allow the Commission to refocus on these ideas with additional support from the diverse membership of the Market Structure Subcommittee.

Apologies. My computer is frozen, a great COVID moment. Well, we will continue. I will continue to move on.

The next part of our report continued to discuss the various elements of swap market reform and made the argument that all four of the key elements of swap market regulation were actually fulfilled, even if firms that were seeking to trade on contract markets were not registered swap dealers. Namely, if you take the idea that a swap that is centrally cleared and traded on a SEF, for example, you actually fulfill or we make the argument that you fulfill those goals in various ways. First, clearing members of a CCP who facilitate swap clearing are already subject to regulatory capital requirements. Further, the approved margin requirements are met by both counterparties that are clearing through a CCP. In addition, the reporting requirements are met by the SEF or the DCM, and business conduct standard regulations are met by the policies of the SEFs or DCMs that are governing trading behavior.

Given that each of the key elements of swap dealer regulation is met under this scenario, coupled with the recognition that parallel futures trading activity does not carry an analogous entity level registration regime, the subcommittee urges the Commission to follow through with the longstanding suggestion of exempting swaps that are exchange-traded and centrally cleared from the swap dealer registration threshold calculation.

In conclusion, to reiterate, the recommendation of the Market Structure Subcommittee's report is that the Commission consider exempting swaps that are exchange-traded and cleared from the swap dealer registration threshold calculation. Further, the subcommittee also recommends that the Commission consider other solutions to seek to increase liquidity, such as exempting swaps that are exchange-traded but not centrally cleared from the swap dealer registration, such as swaps that are traded through prime brokers who themselves are registered swap dealers, such as in the FX market, with the typical regime or pursuing and/or pursuing additional factfinding to better understand the reasons why certain firms are reluctant to pursue registration as floor traders, notwithstanding the no-action relief that was helpfully issued over the years.

The Market Structure Subcommittee overwhelmingly supported the recommendations set forth in this report through the vote held on February 10th. Of the 18 voting members present, 2 members abstained, and only 1 member voted against the recommendations. We do believe that the support reflects the recent discussions and diligent work conducted by the subcommittee over several months and are proud to have reached this near consensus on these ideas.

With that, I will go on to the procedural part of the discussion and state that by direction of the Market Structure Subcommittee, I move that the subcommittee's report containing recommendations regarding the swap dealer landscape be adopted by the MRAC and submitted to the Commission for consideration.

CHAIRPERSON ZAKIR: Thank you, Lisa.

MS. STEMIE: Thank you.

CHAIRPERSON ZAKIR: Thank you, Lisa.

Since the motion is coming from the subcommittee, a second is not required. Are there any questions or comments from the MRAC members on the report? I see a few comments and questions here. Let me turn it over to Marcus Stanley. Marcus is Policy Director at Americans for Financial Reform.

MR. STANLEY: Thank you.

AFR strongly opposes the recommendation. We were not on the subcommittee, but we strongly oppose this recommendation to exempt cleared and/or exchange-traded swaps from being counted toward the de minimis for swap dealer designation. And we made our opposition clear in our 2018 comment on this proposal. And we are very pleased that the Commission reconsidered and dropped that idea from the final rule.

I will send to the commissioners our comments where we lay out in detail our reasons for opposing this idea, including the great significance of dealers, even in cleared swaps, to the derivatives ecosystem as CCP members and the very important risk management role that they continue to play, even as they interact with SEFs and CCPs. We really feel it would be an abrogation of the Commission's responsibilities to exempt the volume, which, you know, the majority of volume in a lot of very systemically important derivatives markets is exchange-traded and/or cleared. It would be an abrogation of the Commission's regulatory responsibilities to exempt this from swap dealer designation.

And as we also pointed out in our comment, we believe that Congress would have made that exemption in in a clear way and Dodd-Frank had such an exemption been intended.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Marcus.

Bis Chatterjee from Citigroup?

MR. CHATTERJEE: Thank you, Nadia.

At the onset, you know, we would like to thank, you know, Acting Chair Behnam and our sponsor for, you know, including us on the Market Structure Subcommittee. Thank you to Stephen and Lisa for the excellent work.

At the onset, you know, from Citigroup's side, you know, we definitely support the Commission's efforts and the past work it has done in its effort to increase market liquidity, at the same time, you know, balancing the risk concerns that exist in the marketplace.

When we look at the subcommittee's report, we at a high level support the concept that, you know, there could be various cases in which various aspects of swap dealer registration and the risk mitigation concepts there are satisfied by some aspects of, you know, exchange-traded plus cleared swaps. However, you know, I will not read out our concurring statement that we put, but we definitely like to think that since a lot of the focus of the subcommittee and the recommendations were based on just reviewing past literature, we certainly support the recommendation that a study be conducted, either by the CFTC or by a third party that it may kind of empower to conduct a study, to really identify what kind of firms would take advantage of this exemption and how much liquidity they would add to the market. And, then, once we have been able to identify, then we should be able to understand what are the kind of risks that these firms would bring to the market and, therefore, examine whether these risks are truly being monitored and covered by the roles and responsibilities of the trading platforms and the clearinghouses.

So that is kind of where we stand. Like I said, we are supportive of the concept at a high level, but we think careful study and an analysis have to be done before any recommendations are taken up for consideration.

CHAIRPERSON ZAKIR: Thank you, Bis.

Marnie Rosenberg, JPMorgan?

MS. ROSENBERG: Thank you, Nadia. I am getting good at all of these buttons. Okay.

So, I wanted to just say that JPMorgan supports the underlying intent of the subcommittee's recommendations on swap dealer registration, including the goal of enhancing liquidity on SEFs. However, we believe further analysis is needed to evidence that these recommendations will be effective in delivering on that goal. In particular, further evidence is required to support the report’s central assertion that these recommendations would increase liquidity and diversity among liquidity providers on SEFs. Further analysis is also required, we believe, on the implications of removing a portion of the CFTC’s regulatory framework for swaps, including entity-level oversight for certain market participants. This should be considered in the context of the market’s resiliency and integrity.

Notwithstanding the aforementioned, JPMorgan is ready to work with the CFTC and the broader industry to explore other avenues to increasing liquidity without impinging on regulatory objectives or increasing systemic risk.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Marnie.

I am not seeing any further questions or comments. So, we will now take a vote on the motion that the MRAC adopt the subcommittee’s report containing recommendations regarding the swap dealer landscape in order to submit the report to the Commission for consideration.

As a point of order, a simple majority vote is necessary for the motion to pass. I am going to turn it over to Alicia to conduct the roll call vote.

MS. LEWIS: Thank you, Nadia.

Committee members, again when I call your name, please indicate your agreement with "Aye," disagreement with "Nay," or indicate "Abstain" if you are abstaining from the vote. Please remember to unmute your audio to indicate your vote and to mute your audio once you are finished voting. Okay.

Salman Banaei, IHS Markit?

MR. BANAEI: Abstain.

MS. LEWIS: Salman Banaei abstains.

Stephen Berger, Citadel?

MR. BERGER: Aye.

MS. LEWIS: Stephen Berger votes aye.

Richard Berner?

MR. BERNER: Aye.

MS. LEWIS: Richard Berner votes aye.

Lee Betsill, CME?

MR. BETSILL: Aye.

MS. LEWIS: Lee Betsill votes aye.

Peter Borish, Quad Group?

(No response.)

MS. LEWIS: Peter Borish, Quad Group? Peter Borish, Quad Group?

MR. BORISH: In favor.

MS. LEWIS: Okay. Thank you. Peter Borish votes aye.

Bis Chatterjee, Citigroup?

MR. CHATTERJEE: Aye.

MS. LEWIS: Bis Chatterjee votes aye.

Alicia Crighton, FIA?

MS. CRIGHTON: Abstain.

MS. LEWIS: Alicia Crighton abstains.

Chris Dickens, HSBC?

MR. DICKENS: Aye.

MS. LEWIS: Chris Dickens votes aye.

Shelly Goodwin, BP?

MS. GOODWIN: Aye.

MS. LEWIS: Shelly Goodwin votes aye.

Matthias Graulich, Eurex Clearing?
MR. GRAULICH: Aye.
MS. LEWIS: Matthias Graulich votes aye.
Graham Harper, FIA - Principal Traders Group?
MR. HARPER: Aye.
MS. LEWIS: Graham Harper votes aye.
Frank Hayden, Calpine Corporation?
MR. HAYDEN: Aye.
MS. LEWIS: Frank Hayden votes aye.
Lindsay Hopkins, Minneapolis Grain Exchange?
MS. HOPKINS: Aye.
MS. LEWIS: Lindsay Hopkins votes aye.
Annette Hunter, Federal Home Loan Bank of Atlanta?
MS. HUNTER: Aye.
MS. LEWIS: Annette Hunter votes aye.
Angie Karna, Nomura Global Financial Products?
MS. KARNA: Aye.
MS. LEWIS: Angie Karna votes aye.
Demetri Karousos, Nodal Exchange?
MR. KAROUSOS: Aye.
MS. LEWIS: Demetri Karousos votes aye.

Eileen Kiely, BlackRock?

MS. KIELY: Aye.

MS. LEWIS: Eileen Kiely votes aye.

Derek Kleinbauer, Bloomberg SEF?

MR. KLEINBAUER: Aye.

MS. LEWIS: Derek Kleinbauer votes aye.

Robert Mangrelli, Chatham Financial?

MR. MANGRELLI: Aye.

MS. LEWIS: Robert Mangrelli votes aye.

Kevin McClear, ICE?

MR. McCLEAR: Aye.

MS. LEWIS: Kevin McClear votes aye.

Dennis McLaughlin, LCH?

MR. McLAUGHLIN: Aye.

MS. LEWIS: Dennis McLaughlin votes aye.

Craig Messinger, Virtu Financial?

MR. MESSINGER: Aye, Alicia.

MS. LEWIS: Craig Messinger votes aye.

Dale Michaels, The Options Clearing Corporation?

MR. MICHAELS: Aye.

MS. LEWIS: Dale Michaels votes aye.

John Murphy, Commodity Markets Council?
MR. MURPHY: Aye.
MS. LEWIS: John Murphy votes aye.
Sam Priyadarshi, Vanguard?
MR. PRIYADARSHI: Aye.
MS. LEWIS: Sam Priyadarshi votes aye.
Marnie Rosenberg, JPMorgan?
MS. ROSENBERG: Nay.
MS. LEWIS: Marnie Rosenberg votes nay.
Jim Shanahan, CoBank?
(No response.)
MS. LEWIS: Jim Shanahan, CoBank?
MR. SHANAHAN: Aye.
MS. LEWIS: Jim Shanahan votes aye.
Lisa Shemie, Cboe Global Markets?
MS. SHEMIE: Aye.
MS. LEWIS: Lisa Shemie votes aye.
Betty Simkins?
MS. SIMKINS: Aye.
MS. LEWIS: Betty Simkins votes aye.
Tyson Slocum, Public Citizen?
MR. SLOCUM: Nay.

MS. LEWIS: Tyson Slocum votes nay.

Sujatha Srinivasan, Goldman Sachs?

MS. SRINIVASAN: Nay.

MS. LEWIS: Sujatha Srinivasan votes nay.

Marcus Stanley, Americans for Financial Reform?

MR. STANLEY: Nay.

MS. LEWIS: Marcus Stanley votes nay.

Scott Zucker, Tradeweb?

MR. ZUCKER: Aye.

MS. LEWIS: Scott Zucker votes aye.

Madam Chair, you have 28 yes votes. Sorry. One second. Excuse me. Madam Chair, you have 27 yes votes, 4 no votes, and 2 abstentions.

CHAIRPERSON ZAKIR: Thank you, Alicia. The ayes have it, and the motion carries. The Market Structure Subcommittee's report containing recommendations regarding the swap dealer landscape have been adopted by the MRAC and will be submitted to the Commission for consideration.

Lisa and Stephen, thank you again for your leadership of this subcommittee. We understand that with the presentation of these reports, this concludes the immediate work of the Market Structure Subcommittee. Many thanks for your leadership and hard work, and many thanks to the subcommittee members for their commitment and engagement.

We will now move on to the report of the CCP Risk and Governance Subcommittee. Alicia Crighton and Lee Betsill are the co-chairs. Lee, I will turn it over to you.

MR. BETSILL: Thank you, Nadia. Just checking that you can hear and see me okay?

CHAIRPERSON ZAKIR: That is correct.

MR. BETSILL: Thank you. Okay. Good morning, everyone. I would like to thank the Commission and particularly Acting Chairman Behnam and his staff for convening the Market Risk Advisory Committee today. I have been impressed by the work of each of the MRAC subcommittees heard so far today and look forward to the discussion on diversity, equity, and inclusion in the derivatives industry following our report.

As co-chair of the MRAC Subcommittee on Central Counterparty Risk and Governance, along with my fellow co-chair, Alicia Crighton, I look forward to sharing the output of the subcommittee's work. Before I do, I would like to thank all of the participants on the subcommittee for the significant time and effort that went into finalizing these reports. These reports have been produced and have been the product of fulsome and engaging conversations by all involved.

I would also like to thank Acting Chair Behnam, Alicia Lewis, and Nadia Zakir for their many insights and guidance. On behalf of the subcommittee, we are pleased to share with the broader committee the reports covering CCP governance and CCP margin methodologies.

By way of introduction, I would like to remind the committee that the primary focus of derivatives clearing organizations, or DCOs, is on the safety and soundness of the markets they clear and the stability of the broader financial system. DCOs and, more broadly, cleared derivatives markets have a long history of successfully navigating market stress events, not least in this past year of economic uncertainty.

DCO successes stem in a large part from a culture of strong risk management along with a structure that incentivizes its participant community to effectively manage the risks, which are fundamental to a DCO’s design.

The reports presented on both CCP governance and on margin methodologies reflect the commitment to preserve these risk management incentives while ensuring that the best practices and risk management evolve to match an ever-changing market dynamic. Many of the governance and margining practices and related recommendations noted in these reports reflect practices already employed by a number of DCOs. However, identifying and codifying these practices was a valuable exercise that we hope will assist the MRAC and the Commission in formalizing additional standards that are best practices for DCOs.

With that said, I would like to update the committee briefly on the work carried out by the subcommittee. Following that, I will present the report covering CCP governance for the committee’s consideration for adoption. And Co-chair, Alicia Crighton, will then present the best practices in margin methodology.

So, the subcommittee during its work identified six workstreams to focus on. We identified then two or more subcommittee members to lead the discussions and work output on each of these six workstreams. In addition to the topics on governance and margining, which we will present today, the identified workstreams focused on four other areas of consideration. Those four were default management, seeking to identify progress made since the adoption of the 2016 MRAC paper on this topic; and whether further work in this area was needed.

We also focused on CCP capital and skin-in-the-game with consideration on whether appropriate minimum standards could be recommended; stress testing and liquidity, focusing on recommendations for best practices for CCPs in this area; and, finally, CCP transparency, where we are seeking to build on the enhanced standardization and further improvements made in this area with the adoption of the CPMI IOSCO public quantitative disclosures in 2015 and identifying whether there are further areas of consideration which could be of benefit.

Laterally, the subcommittee made the decision to focus its efforts on finalizing the two papers put forward for your consideration today. However, much progress was made on the aforementioned four areas of consideration. And, with that in mind, I look forward to continuing to work with the participants of the Subcommittee on CCP Risk and Governance to promote best practices and risk management and support financial stability going forward.

I will now turn to the paper provided in your meeting materials. This paper is titled, "Recommendations on CCP Governance and Summary of Subcommittee Constituent Perspectives." The recommendations regarding best practices in CCP governance reflects the collective work of the subcommittee. And the report provided recommendations in two key areas for the committee's consideration. The subcommittee's discussions focused on the CFTC's DCO rule -iling process under its part 40 rules, DCO forums, and processes to solicit participant feedback and standards governing DCO's risk committees. Perspectives for improving DCO's governance arrangements were initially drafted by a subset of subcommittee members representing clearing members and end-users of the subcommittee, with subcommittee members representing CCPs responding and providing their own perspectives on each of the areas of consideration.

In addition, I would like to point out that independent voting members of the subcommittee tended to agree with the perspectives of the clearing members and end-user representatives as set out in the paper. A summary of the subcommittee perspectives noting whether agreement was reached or not is provided in the body of the report.

So, the first key area of agreement by the subcommittee includes a recommendation that all CCPs establish risk forums to obtain input from its market participants by requiring establishment and regular scheduling of one or more market participant risk advisory working groups as a forum to seek risk-based views from a broad array of market participants and that, for these purposes, to define market participants to include at least representatives from clearing members and end-users. These risk advisory working groups should be used to solicit and obtain risk-based views of market participants in the early stages of proposing changes that could materially affect the risk profile of a DCO's activities.

The second area of agreement for recommendation today is that the standards be established for the roles and obligations of members of the CCP's risk management committees. The recommendation states that in establishing these roles and responsibilities, a DCO should have governance arrangements that establish one or more risk management committees and require that the board of directors consult with and consider feedback from these committees on all matters and proposed changes to the DCO's rules, procedures, or operations that could materially affect the risk profile of the DCO. This should include any material changes to the derivatives clearing organization's risk model default procedures, participant requirements, and risk-monitoring practices, as well as the clearing of new products that could significantly impact the derivatives clearing organization’s risk profile.

The recommendation also states that a DCO should establish and enforce appropriate fitness standards for members of each of its risk management committees and, further, that a DCO shall maintain policies to make certain that members of each risk management committee are able to provide a risk-based independent, informed opinion in all matters presented to the risk management committee for consideration and perform their duties in a manner that supports the safety efficiency of the DCO and the stability of the broader financial system and that risk committees include representatives from market participants, as mentioned before.

The final recommendation in this key area is that DCOs should maintain policies to make certain that membership of each risk management committee is reconstituted on a regular basis.

During its February 12th, 2021 meeting, the 17 voting members of the Subcommittee on CCP Risk and Governance voted unanimously to approve the report submitted for your consideration today. And so, Nadia, with that, by direction of the CCP Risk and Governance Subcommittee, I move that the subcommittee’s report containing recommendations regarding CCP governance be adopted by the MRAC and submitted to the Commission for consideration.

Thank you, Nadia.

CHAIRPERSON ZAKIR: Thank you. Thank you, Lee.

Since the motion is coming from the subcommittee, a second is not required. Are there any questions or comments on the report? Maybe we will pause for a few seconds while MRAC members gather questions, if any. I see there is a question from Sam Priyadarshi from Vanguard. Sam, you have the floor.

MR. PRIYADARSHI: Thank you, Nadia, the Commission, Alicia, and the CCP Risk and Governance Subcommittee.

Vanguard sees compelling opportunities to enhance the resiliency of CCPs and to better prepare for the recovery and the resolution. Especially as non-defaulting market participants are required to backstop CCP failures, it is imperative for market participants to have an effective voice in CCP governance and a clear window into CCP risks, the global CCP rules that must be enhanced to strengthen the incentives for CCPs to offer products that they can effectively respond.

As the downside of a CCP failure is presently disproportionately borne by non-defaulting market participants, including potentially Vanguard mutual funds and ETFs. Vanguard supports the recommendations in the papers as being directionally appropriate improvements to existing practices. The recommendations should be further expanded through committed efforts on matters highlighted in the papers which did not receive CCP support. For example, margin and type procyclicality measures should be further considered to mitigate risks so clearly demonstrated in 2020. Likewise, additional work is required to ensure that market participants have notice of, and the opportunity to comment on, matters that materially impact the risk profile of a CCP.

We also recommend that the work of the subcommittee continue to develop actionable recommendations in the areas of CCP transparency, incentives, stress testing, and liquidity, and default management. Vanguard is committed to productively engage in this meaningful effort to enhance the overall functional resiliency of CCPs and, thereby, mitigate the potential systemic risk presented by this now critical market infrastructure.

Thank you for the time for my comments.

CHAIRPERSON ZAKIR: Thank you, Sam.

Marcus Stanley, AFR?

MR. STANLEY: Thank you, Alicia.

AFR is voting for both of these reports because we agree with the direction of the recommendations that were made and we appreciate the hard work performed by the committee to reach these recommendations. However, like Vanguard I would associate myself, actually, with the comments made by the gentleman from Vanguard just before me. We also feel that considerable additional work by regulators and market actors will be necessary to fully ensure that there are adequate waterfall resources at derivatives CCPs, the procyclical volatility and margin demand is minimized, and that useful transparency is maximized.

In our view, key areas for further progress would include regulatory re-evaluation of minimum margin requirements and the data and methodologies on which they are based. And this re-evaluation may support a more prescriptive approach than is called for in the margin report approved today. We would support a formal comment period ahead of new CCP rule filings, allowing for consultation with clearing members, customers, and the public. We would support increased transparency for CCP risk management, particularly margin methodologies.

Also, or finally, given the need to fully align incentives between DCOs and their members as well as the increased systemic importance of DCOs given the legal requirement to use their services, AFR supports a requirement for DCO capital contributions to the default waterfall. While the subcommittee could not reach consensus on this issue, we hope that the Commission will consider it.

The failure of a major DCO or even excessive margin volatility during a crisis could, by itself, lead to a disastrous financial crisis. The Commission should not rest in its work to prevent this from happening.

Thank you.

CHAIRPERSON ZAKIR: Thank you.

I am now going to turn to Dick Berner, NYU Stern School of Business.

MR. BERNER: Thank you. I want to start just by congratulating my fellow subcommittee members for producing the reports on margin and governance and the hard work of and leadership of our co-chairs, Lee and Alicia.

Like Marcus and the gentleman from Vanguard, I do want to raise four points related to our work. Again, I want to stress the need for regulators periodically to re-evaluate minimum margin regulatory requirements and measures to reduce procyclicality in CCPs and markets.

Second, we have made progress on governance, but I think that the Commission, as Marcus said, should consider requiring a formal consultation period between CCPs and their clearing members to have a rule filing.

Third, and, as Lee Betsill mentioned, these two workstreams are only really part of our agreement. We need to complete the work on capital, stress testing liquidity, default management, and transparency. And along the way, I think we want to encourage CCPs to be open to greater transparency on risk management, including margin methodology, and on stress testing and liquidity frameworks. This will only benefit the market.

And, fourth, several global issues will require attention, including resolution and recovery regimes. The Commission collaborates with global counterparts on these and other issues. And I think the world looks to the United States to show leadership to achieve a level playing field with clear rules of the game.

So, I want to associate myself with Marcus’s comments and those made earlier. Thank you.

CHAIRPERSON ZAKIR: Thank you, sir.

We will now take a vote on the motion that the MRAC adopt the subcommittee’s report containing recommendations on CCP governance and a summary of subcommittee constituent perspective and submit the report to the Commission for consideration.

As a point of order, a simple majority vote is necessary for the motion to pass. I am going to turn it over to Alicia again to conduct a roll call vote.

MS. LEWIS: Thank you, Nadia.

Committee members, when I call your name, indicate your agreement with "Aye," disagreement with "Nay," or indicate "Abstain" if you are abstaining from the vote. Please remember to unmute your audio to indicate your vote and to mute your audio once you have finished voting.

Salman Banaei, IHS Markit?

MR. BANAEI: Aye.

MS. LEWIS: Salman Banaei votes aye.

Stephen Berger, Citadel?

MR. BERGER: Aye.

MS. LEWIS: Stephen Berger votes aye.

Richard Berner?

MR. BERNER: Aye.

MS. LEWIS: Richard Berner votes aye.

Lee Betsill, CME?

MR. BETSILL: Aye.

MS. LEWIS: Lee Betsill votes aye.

Peter Borish, Quad Group?

MR. BORISH: Aye.
MS. LEWIS: Peter Borish votes aye.
Bis Chatterjee, Citigroup?
MR. CHATTERJEE: Aye.
MS. LEWIS: Bis Chatterjee votes aye.
Alicia Crighton, FIA?
MS. CRIGHTON: Aye.
MS. LEWIS: Alicia Crighton votes aye.
Chris Dickens, HSBC?
MR. DICKENS: Aye.
MS. LEWIS: Chris Dickens votes aye.
Shelly Goodwin, BP?
MS. GOODWIN: Abstain.
MS. LEWIS: Shelly Goodwin abstains.
Matthias Graulich, Eurex Clearing?
MR. GRAULICH: Aye.
MS. LEWIS: Eurex Clearing, Matthias Graulich votes aye.
Graham Harper, FIA - PTG?
MR. HARPER: Aye.
MS. LEWIS: Graham Harper votes aye.
Frank Hayden, Calpine?

MR. HAYDEN: Aye.
MS. LEWIS: Frank Hayden votes aye.
Lindsay Hopkins, Minneapolis Grain Exchange?
MS. HOPKINS: Aye.
MS. LEWIS: Lindsay Hopkins votes aye.
Annette Hunter, Federal Home Loan Bank of Atlanta?
MS. HUNTER: Aye.
MS. LEWIS: Annette Hunter votes aye.
Angie Karna, Nomura Global Financial Products?
MS. KARNA: Aye.
MS. LEWIS: Angie Karna votes aye.
Demetri Karousos, Nodal Exchange?
MR. KAROUSOS: Aye.
MS. LEWIS: Demetri Karousos votes aye.
Eileen Kiely, BlackRock?
MS. KIELY: Aye.
MS. LEWIS: Eileen Kiely votes aye.
Derek Kleinbauer, Bloomberg SEF?
MR. KLEINBAUER: Aye.
MS. LEWIS: Derek Kleinbauer votes aye.
Robert Mangrelli, Chatham Financial?

MR. MANGRELLI: Aye.
MS. LEWIS: Robert Mangrelli votes aye.
Kevin McClear, ICE?
MR. McCLEAR: Aye.
MS. LEWIS: Kevin McClear votes aye.
Dennis McLaughlin, LCH?
MR. McLAUGHLIN: Aye.
MS. LEWIS: Dennis McLaughlin votes aye.
Craig Messinger, Virtu?
MR. MESSINGER: Aye, Alicia.
MS. LEWIS: Craig Messinger votes aye.
Dale Michaels, The Options Clearing Corporation?
MR. MICHAELS: Aye.
MS. LEWIS: Dale Michaels votes aye.
John Murphy, Commodity Markets Council?
MR. MURPHY: Aye.
MS. LEWIS: John Murphy votes aye.
Sam Priyadarshi, Vanguard?
MR. PRIYADARSHI: Aye.
MS. LEWIS: Sam Priyadarshi votes aye.
Marnie Rosenberg, JPMorgan?

MS. ROSENBERG: Aye.
MS. LEWIS: Marnie Rosenberg votes aye.
Jim Shanahan, CoBank?
MR. SHANAHAN: Aye.
MS. LEWIS: Jim Shanahan votes aye.
Lisa Shemie, Cboe Global Markets?
MS. SHEMIE: Aye.
MS. LEWIS: Lisa Shemie votes aye.
Betty Simkins?
MS. SIMKINS: Aye.
MS. LEWIS: Betty Simkins votes aye.
Tyson Slocum, Public Citizen?
MR. SLOCUM: Aye.
MS. LEWIS: Tyson Slocum votes aye.
Sujatha Srinivasan, Goldman Sachs? Sujatha Srinivasan, Goldman Sachs?
(No response.)
MS. LEWIS: Okay. Sujatha is no longer on the call with us.
Marcus Stanley, Americans for Financial Reform?
MR. STANLEY: Aye.

MS. LEWIS: Marcus Stanley votes aye.

Scott Zucker, Tradeweb?

MR. ZUCKER: Aye.

MS. LEWIS: Scott Zucker votes aye.

Okay. Madam Chair, you have 31 yes votes, 0 no votes, and 1 abstention.

CHAIRPERSON ZAKIR: Thank you, Alicia. The ayes have it, and the motion carries. The CCP Risk and Governance Subcommittee's report containing recommendations on CCP governance and a summary of subcommittee constituent perspectives has been adopted by the MRAC and will be submitted to the Commission for consideration.

Alicia Crighton, I am now going to turn it over to you to discuss the recommendations regarding CCP margin methodologies.

MS. CRIGHTON: Great. Thanks, Nadia.

And I apologize. My camera won't connect to the network. So, apologies for that but good afternoon. And thank you to Acting Chair Behnam, the commissioners, Alicia Lewis, Nadia Zakir, as well as the subcommittee chairs for today's discussion. And I look forward to the upcoming discussion on diversity, equity, and inclusion.

It has been an honor to co-chair on behalf of FIA the CCP Risk and Governance Subcommittee with Lee Betsill. Members of this subcommittee from different sectors of the industry collaborated to produce two important reports on CCP margin methodologies and CCP risk governance. With a lot of hard work from subcommittee members, we found common ground. And where we didn’t, we have laid the groundwork for further discussions. And many of those areas are included in the report.

Before I walk through the recommendations, I would also like to thank Dale Michaels from the OCC, who is co-lead in the margin workstream and was instrumental in driving this report to conclusion. I will process the walkthrough of the report with some additional information that during our February 12th, 2021 meeting, the 17 members or the 17 voting members of the Subcommittee on CCP Risk and Governance voted unanimously to approve the paper submitted for your consideration today. And we look forward to continuing to work with the MRAC and the CFTC on these recommendations.

I will now turn to providing a brief summary of the six key elements and associated recommendations discussed in the paper included in your material. I will start with recommendations regarding anti-procyclicality and provide a brief summary of some of the recommendations we have included.

The CFTC should enhance its flexible approach to supervising how CCPs manage procyclical margin requirements. That prioritizes the desired outcome of reducing procyclicality and not the specific means of reducing it. Supervisory expectations should recognize that CCPs may employ a range of tools to measure and manage procyclicality that are uniquely tailored to the products and markets that they clear. Tools that CCPs may include to assist with this effort are standard sets of metrics to measure procyclicality, portfolio or product level margin floors, and certain seasonality measures for a subset of products. Importantly, the tools in the framework should be transparent to market participants.

The subcommittee was not able to, even after much discussion, to reach full agreement on how that transparency can be achieved. And we will continue to review and discuss this as part of the ongoing efforts for the transparency workstream.

We have made recommendations regarding concentration and liquidity add-ons. CCPs should be allowed flexibility to apply margin add-ons that consider the impact of liquidity and portfolio concentration on expected closeouts. The application of liquidity and concentration add-ons by CCPs should be based on market depth and position exposures and may consider a number of factors, which were detailed in the report.

In this section, the subcommittee, again after much discussion, could not reach full agreement on including additional add-ons. And those areas that were discussed are also included in the report.

We will now turn to recommendations regarding intraday and ad-hoc margin calls. We believe that the CFTC should promote the use of scheduled, predictable, event-driven, and routine intraday variation settlement cycles to prevent the accumulation of current exposures at CCPs as appropriate. In addition, CCPs should be allowed the discretion to manage intraday exposures with unscheduled, not predictable, event-driven intraday margin calls under a series of conditions, also which are also detailed in this report.

Turning to margin period of risk, or MPOR, again, a more detailed list of recommendations are included in the report, but the few that I will focus on for these comments are the MPOR should be commensurate with the CCPs default management framework. It should be aligned with the time needed to delta hedge, port the client positions to a new clearing member, or otherwise liquidate and/or auction the portfolio to return the CCP to a matched book, as appropriate to the account type. CCPs should disclose their general framework for making MPOR decisions and demonstrate to market participants that the CCPs overall MPOR is appropriate. The MPOR should consider longer time periods for less liquid products, and it should be based on the liquidity attributes of the product, irrespective of where or how it is traded, comparing, for example, OTC or on exchange.

The subcommittee discussed but, yet, could not agree on setting MPOR at a two-day minimum, rather than the one-day gross margin minimum, which is currently the standard maintained in the United States.

Turning to our last two key elements of the discussion paper, I will focus on pricing and then transparency, our recommendations regarding pricing. CCPs should have a robust framework for determining end-of-day settlement prices and theoretical intraday pricing, which can incorporate a few principles, which I will touch on. Broker quotes should be considered to reflect the current market for less liquid products. CCPs should consider a modeled price if no information is available. CCPs should consider modeling underlying cashflows of an instrument to determine settlements. And they should consider incorporating an incentive mechanism, as necessary and appropriate, for clearing members to submit quotes to determine pricing for OTC products.

And last is recommendations regarding transparency. CCP margin methodologies should be sufficiently transparent to market participants so they can understand how models react to certain market conditions for liquidity planning and risk management purposes. The subcommittee will continue to discuss transparency of the workstream and hopes to issue a final work product during 2021.

FIA is proud to present these reports to the Market Risk Advisory Committee and looks forward to working with policymakers and regulators to advance its recommendations to strengthen the safety and soundness of the cleared derivatives markets.

I think now, per the protocol, by direction of the CCP Risk and Governance Subcommittee, I move that the subcommittee's report containing recommendations regarding CCP margin methodologies be adopted by the MRAC and submitted to the Commission for consideration.

Nadia, I will hand it over to you.

CHAIRPERSON ZAKIR: Thank you, Alicia.

Since the motion is coming from the subcommittee, a second is not required. Are there any questions or comments on the report? I see we have a question from Eileen Kiely, BlackRock. Eileen, you have the floor.

MS. KIELY: Thank you very much.

So, I will make a brief comment here. And these comments address both the governance paper and the margin paper. And BlackRock's comments are made in our capacity as a fiduciary to our clients, just as a reminder and our role as an investment advisor. We do not ourselves take risks to CCPs. And we offer these comments to help enhance investor protections in cleared derivatives markets.

As is outlined in our concurring statement for both papers, we support the ideas put forward in the papers. They represent significant progress on the issues of governance and margin and are the result of a concerted effort from CCPs, clearing members, and end-users to reach consensus.

Importantly, and as was stated by my colleagues at Vanguard, we urge the CFTC and global regulators to pay careful attention to the areas of disagreement that were outlined. When markets cannot agree upon the right outcome, it is often incumbent upon the regulatory community to step in and communicate a solution.

We are eager to continue to work on the additional and equally critical areas that need to be advanced. As has already been stated, work has started on four additional workstreams: default management; stress testing; CCP capital and incentive alignment; and, finally, transparency and disclosure. We look forward to the continued engagement of CCPs, clearing members, end-users, as well as the independent members of the subcommittee, who have been very valuable in the conversation; and, importantly, the continued focus on CCP risk by the CFTC.

Thank you very much.

CHAIRPERSON ZAKIR: Thank you, Eileen.

Marnie Rosenberg, JPMorgan?

(Pause.)

CHAIRPERSON ZAKIR: Marnie, I don’t think we can hear you. Are you maybe on mute?

MS. LEWIS: Marnie, unmute your --

MS. ROSENBERG: Can you hear me now?

MS. LEWIS: Yes. Yes, we can.

MS. ROSENBERG: Okay. Thank you. So, first, just a big thank you to Acting Chairman Behnam and Alicia Lewis for establishing the CFTC's CCP Risk and Governance Subcommittee last year and supporting the development of actionable recommendations to enhance CCP risk management and governance. And, also, thank you to Alicia Crighton and Lee Betsill for their leadership on this effort over the last year.

CCP, really, resilience recovery and resolution continues to be critically important to JPMorgan as it is a leading provider of clearing services to clients at over 16 CCPs across the globe. In addition, JPMorgan provides custodial and settlement bank services and as a liquidity provider to CCPs and their parent companies. Therefore, the views that I am sharing with you today stem from this multifaceted and interconnected role that JPMorgan plays within the central clearing ecosystem.

In 2019, JPMorgan, together with a group of buy-side and sell-side, firms including four other firms represented on the MRAC, published a white paper, "A Path Forward for CCP Resilience, Recovery, and Resolution," which raises issues related to CCP risk and proposes for consideration by policymakers and regulators 20 recommendations to enhance CCPs resilience, recovery, and resolution. The paper was originally published in October, 2019 and now has 20 signatories.

We commend the work undertaken by the CCP Risk and Governance Subcommittee over the last year and see that the two papers prepared by the subcommittee with specific recommendations on CCP margin methodologies and risk governance as an important step forward as they seek to address several of the issues that we highlighted in the white paper that I just referenced. I wanted to share some specific comments, starting with the CCP margin methodologies paper.

We support the six recommendations on margin methodologies. As highlighted by the COVID-related market stress we all witnessed almost one year ago today, it is important for the resilience of the financial system that margin frameworks address procyclicality and that margin levels start at adequate levels going into a period of high-market volatility. It is also important that concentration and liquidity add-ons are adequate and that the margin period of risk assumption is aligned with the liquidity of the contract.

We also support the overarching requirement for greater transparency around margin models to enhance their predictability and support market participants' liquidity planning and risk management. However, while these recommendations are a good starting point, we welcome further work on margin procyclicality and related disclosures by regulators.

As stated in the subcommittee paper itself, subcommittee members representing FCMs, buy-side firms, independent voting members, and one CCP all thought procyclicality measures, similar to those detailed in FIA's October 2020 paper, "Revisiting Procyclicality: The Impact of the COVID Crisis on CCP Margin Requirements," should be included as recommendation. This subgroup of subcommittee members also supports the need to expand CCP disclosure requirements to include product-level breach disclosures for significant products and set the minimum margin period of risk assumption at two days, to align with the time needed to hedge support or liquidate a defaulted portfolio.

Moving on to recommendations related to CCP risk governance, we fully support the recommendation to require CCPs to solicit, consider, and address market participant views in the early stages of proposing changes that could materially affect a CCP's risk profile; for example, through risk advisory working groups comprised of clearing members and end-users.

Similarly, we are also encouraged by the recommendation to codify best practices related to CCPs' risk management committees. However, we would like to specifically highlight that the requirement for CCPs to formally consult market participants on any rule change that can materially affect the risk profile of the CCPs' activity before filing a rule submission with the CFTC was not agreed upon by the full subcommittee. We would encourage the CFTC to, nevertheless, consider this recommendation as well as the others that were not agreed upon and revisit them as opportunities present themselves.

So, overall, we support the recommendations in the subcommittee's papers and encourage the CFTC to pursue rulemaking to implement them. We also endorse ongoing work by the subcommittee, with support from Acting Chair Behnam, to continue the development of recommendations pertaining to issues of CCP transparency and disclosures as well as CCP capital, including as it relates to both default and non-default losses. Issues and recommendations on these specific topics were raised in the 2019 industry white paper I referenced earlier. We believe this ongoing work by the subcommittee will help inform work to be undertaken by regulators on CCP resilience, recovery, and resolution, both here in the United States as well as internationally.

Thank you.

CHAIRPERSON ZAKIR: Thanks, Marnie.

Bis Chatterjee, Citigroup?

MR. CHATTERJEE: Thank you, Nadia.

I would like to commend the CCP subcommittee in a couple of really excellent papers. You know, some of these areas and topics have been discussed forever to be, but to really present, you know, two such really comprehensive papers and in a manner and format that clearly not only focuses on the recommendations but also on, you know, highlighting the debate is my point, really commendable.

The couple of things from Citigroup's perspective, I think having gone through the large stresses in the marketplace I think we have been as a market participant and one of the largest for our clientele is we have been able to be in a very good spot to see the impact of procyclicality. The one thing we would like to note is obviously, you know, CCPs come in various forms and shapes. There are different kinds of products that are spread all over the world. And, you know, most of the large CCPs, you know, seem to have operated and weathered the storm really well, but we want to make sure that the principles that are being outlined in this thing apply generally to all the CCPs across the globe, especially the systemic ones.

Procyclicality, you know, continues to be a area of focus and concern for us we did see, you know, kind of signs of possible areas where, though the system did not break down, you know, there were areas where, you know, cracks possibly could appear had the stresses continued for a while.

On the issue of margin period, MPOR, we think further study needs to be done to ensure that, rather than, you know, people focus on targeting specific numbers for MPOR, you know, adequate time is spent again and again to ensure that as market conditions change, as market liquidity change, the MPOR being, you know, followed by a certain CCP for its risk models is appropriate for that kind of market condition. So, in our mind, you know, while it may be important to establish a certain set of minimums, we think that because of the changing nature of the marketplace, the market participants, you know, the MPOR factor needs to be examined again and again.

Finally, we agree with the subcommittee's recommendation that, you know, greater engagement with the larger clearing community, especially clearing members and their clients, can only help in the process. Several CCPs do a very good job in today's world of engaging, but we think that is certainly an area where more is always welcome and better.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Bis.

Lee Betsill, CME Group?

MR. BETSILL: Thank you, Nadia.

I just wanted to make a comment on the topic of procyclicality, which has been raised by a number of committee members and has also been raised generally in our industry. My comment on procyclicality is that I am fully supportive of the recommendations that the subcommittee has made in these papers. In fact, it has been a goal for a long time of CCPs that their margin requirements are risk-based and are stable and conservative. So, the concept of procyclicality is not new. And CME, like my other CCP colleagues on the committee, have margin regimes which take into account procyclicality.

The events that we saw during this pandemic a year ago were really unprecedented. I would even go so far as to describe them as 1-in-100-year events. No margin model could capture the market reaction to the quick realization of the potential economic impacts of shutting down global economies. The market reaction was extreme in that regard. And the thing that CCPs need to focus on in these events is seeking to protect financial stability and its broader ecosystem by ensuring that their risk appetite and covered standards continue to be met, even as we saw with these extreme market conditions. So, reaction to a volatility regime change like we witnessed last year is and was necessary.

For the most part -- and here I will speak on behalf of CME -- we were very careful, even in these extreme circumstances, to follow our business-as-usual practices in assessing margin requirements to meet that changing volatility regime. That means that it was over a four-week period that we responded by increasing margins. We were careful to ensure that we did not assess large margin increases all at once and that we gave the market the opportunity to adjust positions or exposures they had within the clearinghouse before the margin increases took effect; that is that by way of 24-hour notice of margin changes.

We also stepped in those changes incrementally so that they weren’t hit all at once, causing a liquidity issue for clearing members or their clients. In fact, despite all of the volatility, our largest one-day margin increase, again, with notice, was only on the order of 6 and a half percent of our initial margin base.

I will also say that many of the numbers that have been quoted as evidence of CCP margin regime being procyclical were taken as total margin increases that they saw over this period. However, it should be noted that in the time of this extreme shift in the volatility regime, that our market participants used the markets to manage their risks. And in many cases, the margin increases were not due to margin parameter changes or margin model reactions to market changes but were, in fact, due to increases in exposures that were brought into the clearinghouse. Just by way of example, in CME's S&P 500 complex, we saw during the first quarter of last year, more than 26 percent increase in open interest.

So, I will close there, but I did want to comment that procyclicality and providing measures to ensure that margins are stable and conservative are in place, have been in place, and CCPs do need to react where there is sudden shifts in the volatility regime of the products which they clear.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Lee.

Dennis McLaughlin, LCH?

MR. McLAUGHLIN: Thank you.

I just want to just clarify, LCH just released a white paper on the topic of procyclicality because we found there was a lot of confusion as to exactly what was being talked about.

During March of last year, we did not change our risk parameters at all. Nor did we change the risk process that we dealt with. So, in other words, everything stayed exactly the same as normal.

What we did notice was that there seemed to be an increase in margin, but, obviously, that wasn't due to parameter changes because they didn't change. What was happening was member positions changed dramatically. So, if you look at what happens if you froze the member's portfolio the beginning of March and calculated that frozen portfolio every day versus what happened to their actual trade portfolio, there was a 7 percent difference in the margin of those two. And that showed that procyclicality was really driven by the volumes that were being traded and the repositioning that went on to market. So, I think that is worth pointing out.

I would recommend that you look at the LCH white paper on the subject. Thank you.

CHAIRPERSON ZAKIR: Thank you, Dennis.

Seeing no other questions or comments from the members, we will now take a vote on the motion that the MRAC adopt the subcommittee's report containing recommendations regarding CCP margin methodologies.

MS. LEWIS: Nadia? I'm sorry. There is a question from Commissioner Berkovitz.

CHAIRPERSON ZAKIR: Oh. Sorry. I missed that. Commissioner Berkovitz?

COMMISSIONER BERKOVITZ: Yes. Thank you, Nadia. Sorry.

And this is more of an observation than a question. And, again, this topic the margin models and their adequacy in times of stress and procyclicality is incredibly timely. But it was something that Lee said that struck me in terms of whether this is an issue that arose in the events of last March and how unusual those may have been.

But in terms of 100-year events, certainly the pandemic was a 100-year event going back to the pandemic of 1918. But, then, just last summer, we had the California fires. The California fires were a 100-year event. The cold coming through the Midwest and into Texas was a 100-year event. The pandemic being a 100-year event, when we had the WTI price issue last April, that was a 100-year event. We seem to be having 100-year events with considerable increasing frequency. So, the procyclicality issues don’t appear to be the tail, the black swan, anymore. They appear to be almost occurring with regularity. It is absolutely critical that our markets be able to handle these. And, unfortunately -- and, then, not the time or the place, but with the climate change, some of this may be related. And we may be seeing some of these with increasing frequency due to that. So, this is very timely. And, unfortunately, I don’t believe it may be as rare as we would like it that we are going to have these extreme stressor events.

So, that is just more of an observation. So, thank you.

CHAIRPERSON ZAKIR: Thank you, Commissioner Berkovitz.

Just checking to see if there are any more questions or comments. And, not seeing any further, let's now take a vote on the motion that the MRAC adopt the subcommittee's report containing recommendations regarding CCP margin methodologies and submit the report to the Commission for consideration.

As a point of order, a simple majority vote is necessary for the motion to pass. I am going to turn it over back to Alicia to conduct the roll call vote.

MS. LEWIS: Thank you, Nadia.

Committee members, for the last time, when I call your name, please indicate your agreement with "Aye," disagreement with "Nay," or indicate "Abstain" if you are abstaining from the vote. Please remember to unmute your audio to indicate your vote and to mute your audio once you are finished voting.

Salman Banaei?

(No response.)

MS. LEWIS: I think Salman is gone.

Stephen Berger, Citadel?

MR. BERGER: Abstain.

MS. LEWIS: Stephen Berger votes abstain.

Richard Berner?

MR. BERNER: Aye.

MS. LEWIS: Richard Berner votes aye.

Lee Betsill, CME?

MR. BETSILL: Aye. Aye.

MS. LEWIS: Lee Betsill votes aye.

Peter Borish, Quad Group?

MR. BORISH: Aye.

MS. LEWIS: Peter Borish votes aye.

Bis Chatterjee, Citigroup?

(No response.)

MS. LEWIS: Bis Chatterjee, Citigroup? A/V, I see -- okay.

MR. CHATTERJEE: Alicia, it’s Bis. Sorry about that. I vote aye.

MS. LEWIS: Bis Chatterjee votes aye.

Alicia Crighton, FIA?

MS. CRIGHTON: Aye.

MS. LEWIS: Alicia Crighton votes aye.

Chris Dickens, HSBC?

MR. DICKENS: I vote aye, Alicia.
MS. LEWIS: Chris Dickens votes aye.
Shelly Goodwin, BP?
MS. GOODWIN: Abstain.
MS. LEWIS: Shelly Goodwin abstained.
Matthias Graulich, Eurex Clearing?
MR. GRAULICH: Aye.
MS. LEWIS: Matthias Graulich votes aye.
Graham Harper, FIA - PTG Group?
MR. HARPER: Aye.
MS. LEWIS: Graham Harper votes aye.
Frank Hayden, Calpine?
MR. HAYDEN: Aye.
MS. LEWIS: Frank Hayden votes aye.
Lindsay Hopkins?
MS. HOPKINS: Aye.
MS. LEWIS: Lindsay Hopkins votes aye.
Annette Hunter, Federal Home Loan Bank of Atlanta?
MS. HUNTER: Aye.
MS. LEWIS: Annette Hunter votes aye.
Angie Karna, Nomura Global Financial Products?

MS. KARNA: Aye.
MS. LEWIS: Angie Karna votes aye.
Demetri Karousos, Nodal Exchange?
MR. KAROUSOS: Aye.
MS. LEWIS: Demetri Karousos votes aye.
Eileen Kiely, BlackRock?
MS. KIELY: I vote aye, Alicia.
MS. LEWIS: Eileen Kiely votes aye.
Derek Kleinbauer, Bloomberg SEF?
MR. KLEINBAUER: Aye.
MS. LEWIS: Derek Kleinbauer votes aye.
Robert Mangrelli, Chatham Financial?
MR. MANGRELLI: Aye.
MS. LEWIS: Robert Mangrelli votes aye.
Kevin McClear, ICE?
MR. McCLEAR: Aye.
MS. LEWIS: Kevin McClear votes aye.
Dennis McLaughlin, LCH?
MR. McLAUGHLIN: Aye.
MS. LEWIS: Dennis McLaughlin votes aye.
Craig Messinger, Virtu?
MR. MESSINGER: Aye, Alicia.

MS. LEWIS: Craig Messinger votes aye.
Dale Michaels, Options Clearing Corporation?
MR. MICHAELS: Aye.
MS. LEWIS: Dale Michaels votes aye.
John Murphy, Commodity Markets Council?
MR. MURPHY: Aye.
MS. LEWIS: John Murphy votes aye.
Sam Priyadarshi, Vanguard?
MR. PRIYADARSHI: Aye.
MS. LEWIS: Sam Priyadarshi votes aye.
Marnie Rosenberg, JPMorgan?
MS. ROSENBERG: Aye.
MS. LEWIS: Marnie Rosenberg votes aye.
James, Jim, Shanahan, CoBank?
MR. SHANAHAN: Aye.
MS. LEWIS: Jim Shanahan votes aye.
Lisa Shemie, Cboe Global Markets?
MS. SHEMIE: Aye.
MS. LEWIS: Lisa Shemie votes aye.
Tyson -- well, Betty Simkins?
(No response.)
MS. LEWIS: I think Betty has left us.

Tyson Slocum, Public Citizen?

MR. SLOCUM: Aye.

MS. LEWIS: Tyson Slocum votes aye.

Sujatha Srinivasan, Goldman Sachs?

(No response.)

MS. LEWIS: I think Sujatha has left us as well.

Marcus Stanley, Americans for Financial Reform?

MR. STANLEY: Aye.

MS. LEWIS: Marcus Stanley votes aye.

Scott Zucker, Tradeweb?

MR. ZUCKER: Aye.

MS. LEWIS: Scott Zucker votes aye.

Madam Chair, you have 28 yes votes, 0 no votes, and 2 abstentions.

CHAIRPERSON ZAKIR: Thank you, Alicia. The ayes have it, and the motion carries. The CCP Risk and Governance Subcommittee's report containing recommendations on CCP margin methodologies has been adopted by the MRAC and will be submitted to the Commission for consideration.

Many thanks to Alicia and Lee for their work and leadership as well as the workstream leads; Dale and Alicia, for margin; Lee Betsill and Marnie Rosenberg for governance, as well as the subcommittee members. As Acting Chair Behnam indicated in his remarks, the CCP Risk and Governance Subcommittee is continuing to work on a few additional workstreams. And we look forward to receiving the final reports for those workstreams, which include stress testing and liquidity, skin-in-the-game, and capital transparency, and default management, which we expect will be presented at our next MRAC meeting.

I am very pleased now to turn to our next panel, which will explore and discuss the important topic of inclusion, diversity, and equity in the derivatives industry and related financial markets.

As many of you know, the Market Risk Advisory Committee advises the Commission on matters relating to the derivatives market structure and examines systemic issues that threaten the stability of the derivatives market and other financial markets and makes recommendations on how to improve market structure and mitigate risk. Given the MRAC’s broad advisory mandate, the growing recognition across our industry of the fundamental value in maintaining an inclusive and diverse workforce, and in light of recent events, there is no better time than now, during Black History Month, for this committee to discuss the importance of promoting diversity and embedding inclusion into the culture of our respective businesses and the industry at large.

So why is inclusion and diversity important to the derivatives industry? While I can’t speak for my fellow MRAC members but invite them to share their views today, I can share that at PIMCO, we have built our 50-year investment process around the strength of cognitive diversity and engaging multiple different perspectives before making decisions in portfolios. And we believe this is a critical competitive advantage.

We recognize that our different perspectives come from the multiple identities and experiences of our employees. Therefore, attracting, developing, retaining, and engaging a diverse workforce across a broad range of identity and experience dimensions is critical to delivering the best business outcomes and ensuring our ongoing competitiveness.

In fact, a March 2019 McKinsey report titled, “Diversity Wins: How Inclusion Matters,” found that the most diverse companies are now more likely than ever to outperform less diverse peers on profitability and that the likelihood of outperformance continues to be higher for diversity and ethnicity than for gender.

Unfortunately, but not surprising, the report concludes that progress overall has been slow. More than a third of the companies in the report’s data stats still have no women at all on their executive teams, and the representation of ethnic minorities on U.K. and U.S. executive teams stood at only 13 percent in 2019. Thus, while the industry has made some strides when it comes to gender diversity, racial diversity has generally lagged. And there is much more work to do with respect to both.

Importantly, while most firms have recognized the strategic importance of fostering an inclusive and diverse organization, the question remains, how can we make better progress, and how do we measure change? These are some of the questions that our esteemed panelists will discuss today.

With that, I am pleased to welcome our panelists, all of whom as well as their firms are leaders in the DE&I realm. On our panel today, I would like to welcome Keisha Bell, Managing Director and head of Diverse Talent Management and Advancement at DTCC, where she is responsible for recruiting and retaining best diverse talent and developing DTCC's next generation of leaders through focus sponsorship and talent advancement strategies. Keisha also leads corporate philanthropy and social responsibility for DTCC. Welcome, Keisha.

Also like to welcome Leslie Shreiner, First Vice President and Director of Diversity and Inclusion for Federal Home Loan Bank of Atlanta. Leslie is responsible for the development, oversight, and implementation of the bank's strategic diversity and inclusion goals and is a certified diversity professional as well as a certified diversity, equity, and inclusion coach and was a founding member of the bank's Diversity and Inclusion Council. Welcome, Leslie.

Also joining us is Sacha Thompson, founder of the Equity Equation, a diversity coaching and consulting firm based in Washington, D.C. Sacha has nearly 20 years of experience within the education, nonprofit, and tech industries and helps coach executives and leaders with making long-term changes that develop institutional cultures of diversity, equity, and inclusion. Welcome, Sacha.

And we would also like to welcome Yemi Akisanya, Director and head of Diversity and Inclusion at OCC. In his role, Yemi focuses on creating short and long-term plans to help build a more diverse and inclusive workplace and positive corporate culture. Yemi led the creation of the OCC's diversity and inclusion dashboard, which is used to identify areas of opportunity and measure the impact of initiatives across the company. He also helped to launch the company's first employee resource group, designed to increase employee engagement and align overall objectives with an enterprise-wide diversity and inclusion strategy. Welcome, Yemi.

And, last, but not least, we would like to welcome Erika Irish Brown, Chief Diversity Officer at Goldman Sachs. Erika is responsible for global diversity and inclusion strategy and drives inclusive culture initiatives and efforts related to the recruitment, retention, and advancement of diverse professionals.

MRAC members, as a reminder, there will be a Q&A after the conversation. So please hold your questions until then. And we will, of course, try to get as many questions as we can at that time.

So, I thought we could start our panel -- and, again, thanks again to our panelists for your time today. I thought we could first start with the results of our first poll question, which asks the question, "Who is responsible for DE&I?" A/V, please display the results to poll question number 1. Okay. Thank you. So, the result here to the question of who is responsible for DE&I. Eight percent responded, "HR or form diversity professionals." Eight percent responded, "The C Suite." And 67 percent responded with, "Everyone at the Firm." Seventeen percent did not record an answer.

Yemi, I would like to turn to you and see if I can at least get your thoughts here first on kind of the results of the question here and, in particular, just your own thoughts on who is responsible for DE&I.

MR. AKISANYA: Thank you, Nadia, for the question. First, I would like to thank the entire MRAC members for sponsoring such an important conversation. So, thank you. I would also like to thank my colleague at the OCC Dale Michael for soliciting my audience on this matter.

Nadia, that is a great question. And, you know, I would like to agree with the survey results. I do think that we are all responsible for DEI with regards to our firms and our community. However, if there were a playbook for implementing an effective diversity and inclusion strategy, the first rule would be to obtain leadership buy-in.

But the term “buy-in” can be misleading. Right? I think it suggests that leadership merely must be in agreement when, in fact, to obtain meaningful progress in diversity, equity, and inclusion, leadership approval is not enough. Leaders will play the most important role in shaping a company’s success in diversity; equity; and inclusion; and, most importantly, their culture. And, as we all know, DEI is a culture initiative. And we have, we as leaders have, to own the effort. We have to drive the strategy. And, most importantly, we have to model the action. So, in other words, we must be inclusive leaders.

So, as much as I agree that we are all responsible for DE&I, I feel like I need to call out that as leaders, we must hold ourselves accountable to the outcomes of DE&I.

CHAIRPERSON ZAKIR: Thank you, Yemi.

And, Sacha, let me turn to you. Can you talk a little bit about what role individual employees can play in driving success within their organizations, going back to Yemi’s point about the drivers of DE&I?

MS. THOMPSON: Yes. I think it is what is important. And, again I want to want to support what Yemi was saying in that, you know, thank you for having us here today.

I think what is important in this is there is a lot of internal work that needs to be done. Right? And so when we start doing diversity, equity, and inclusion work, we often look at, okay, this is something for the organization. But organizations are made of people. And so, none of this work can be done until some of this internal work has to be done. And many times, that is, you know, unconscious bias training.

I would say I am not the biggest fan of unconscious bias training because I always feel that, okay, now what is the next step after that? Right? Yes, we know we all have biases. Now what? What do we do with this information? And so how do you continue to do that internal work of really understanding why these things are important or what barriers you are hitting internally -- right? -- right why are you cringing at certain things or questioning certain things?

And so as leaders, I think it is important that once we do that work, we challenge each other, we push each other to move forward. Right? When you hear something or when you are looking at a particular data point, you know, why are we seeing this the way that we are seeing it or is there another story to this? Is there another angle? And so as individuals, we need to step up and start challenging the status quo, start challenging what we are seeing or what information we are receiving as it relates to this space.

And so I think those that are in positions of power have the ability to do that in a way that those that are in lower positions or kind of the grassroots efforts, where a lot of these efforts start, can really push back. Right? We can go beyond just the numbers. Like, what are these numbers telling us? And how can we drive change from there?

CHAIRPERSON ZAKIR: Great. And I guess just building on that a little bit, Keisha, I would like to turn to you and see if maybe you can share in your view sort of what have been some of the main challenges or barriers for success for underrepresented employees. Oh, Keisha, I think you might be on mute.

MS. BELL: Can you hear me now?

CHAIRPERSON ZAKIR: Yes, we can hear you now. MS. BELL: Thanks. Perfect.

MS. BELL: All right. I was rambling on and saying thank you for having me here today. I got to listen to a few minutes of the MRAC discussion and got flashbacks from my previous roles when you started talking about procyclicality and margin models. I miss the work, but I don't miss that work. So, I commend you all.

I think some of the barriers for underrepresented employees, there are a number of things, but I would hone in on sponsorship. I would hone in on sponsorship at all levels of the organization but especially when you start talking about getting to senior levels of the organization. And my definition of sponsorship versus mentorship would be sponsorship is about acting and mentorship is about advising. A mentorship is simply about advising on a specific topic or how to move forward. Sponsorship is really about career advocacy and standing up for someone and giving that person access to your network, giving that person access to senior individuals in the organization, advocating for that person to get that stretch assignment or get that additional assignment. And I found in my own career and in other underrepresented folks that I have seen in organization and women as well, that we have lacked sponsorship. We get a lot of training, a lot of mentorship, but we do not get that someone pounding the table for us to get those nice, juicy assignments.

CHAIRPERSON ZAKIR: That was very helpful. And so would you generally agree, Keisha, that sponsorship sounds like it is more of a sort of individual initiative, if you will? So, rather than waiting, for example, for a firm to roll out a more formal sponsorship program or even a mentorship program, that individuals, particularly those that are managers or are in positions of power, you know, as Sacha indicated, really can take those initiatives themselves, you know, at any point in time and should do so where at all possible?

MS. BELL: Absolutely. I completely agree. I think it can be both, I think.

I asked my C suite and my senior leaders in my MD community, "Who are you sponsoring? And if you are sponsoring one, two, three people, do those people look like you because if they do, then you need to switch it up."

CHAIRPERSON ZAKIR: That is a great point. That is a great point.

Let's pivot just a minute to talk a little bit about equity and, in particular, racial equity. In the aftermath of the death of George Floyd and others, many of our organizations issued statements regarding their respective commitments to equity and inclusion.

Let's take a moment first and go to our second poll question, which asks members the question about whether their firms issued such statements. A/V, please display the results of poll question number 2. Okay. Great. So, the answer here is 66 percent of members' firms did issue a statement and 17 percent did not and 17 percent were no recorded answer here.

So, let me go back here to you, Keisha. Can you discuss your organization's internal and/or external response to the global protest? And, Erika, I may come to you next on that as well.

MS. BELL: Sure. Because we are a bit different than, say, a Goldman or JPM, where we don't necessarily have a consumer focus -- right? -- we focus our efforts internally on our employee population, it was important for the leaders of our organization, our chairman, our board, our CEO, to issue internal statements of support in the fight against racial injustice.

For me, it was important as a black leader in the organization to give voice to the emotions that we all were experiencing after George Floyd's murder. I needed to demonstrate a level of vulnerability, a level of awareness, a level of empathy, and take that opportunity to teach my colleagues. I also wanted to verbalize the feelings in that moment and what most black people feel on a day-to-day basis of fatigue, bewilderment, anger. And I took the opportunity to point out sometimes the emotional gymnastics that we all, we, black people, go through showing up at work to be excellent while contending with systemic racism.

I wrote a blog post where I talked about honest, intentional dialogue is required for our country to address issues of racial injustice. And before we began the work in our organization to talk about it, I wanted everyone to have some context. So, we began a series of discussions called perspectives, facilitated discussions, and it was conversations with black and brown employees, one set male, one set female, around their experience with policing, their experience with having the talk with their children, their experience around educating their children around systemic racism. And it was not open for questioning or interjection. It was really about people sharing their experience and giving perspective, again before we started the work around racial injustice.

We also did a perspective discussion where we brought in black and brown police officers, two police officers, one from Tampa Bay, who had been on the force 20 years, a Latino man; and another, an African American detective from Westchester. And both of them talked about how they are trying to personally bridge the disparity of policing in poor and ethnic communities.

And our next topic of discussion that we are having this year is around the very polarizing topic of defunding the police. Again, honest, intentional dialogue about these issues, because they do impact all of us in the workplace.

And, then, also, to take care of the black and brown employees in our organization, we started small group conversations where folks can kind of come and decompress, again in a facilitated way.

Those are just some of the things that we did in our organization.

CHAIRPERSON ZAKIR: Fantastic. Erika, let me turn it over to you. Can you talk a little bit about your firm's message as well as sort of touch on why it was important to respond in such a way?

MS. IRISH BROWN: Yes, absolutely. So, our CEO came out with a really strong message in sharing that racism and discrimination had no place at Goldman Sachs and, using the word "racism," talking about senseless acts and murder. And that was atypical from I think any other time before when you think about CEOs, and not just my own, speaking out against racism and discrimination.

One of the things that we thought was important was to start the dialogue, not unlike what Keisha was saying. And one of the things that our CEO did was host a global firm-wide townhall with three of our senior-most black partners and had the dialogue with them directly. It was raw. It was emotional. It was meant for the entire firm, globally. We did not just treat this like an American thing or a U.S.-based issue but, rather, a global issue, an issue about our people. Our black network did host townhalls in regions, but our CEO kicked it off up front.

You know, of course, we felt the need to demonstrate a financial commitment. And we set up a fund for racial equity. And that was on top of all of the investment in communities and organizations that Goldman Sachs already had in place.

And we created different levels of forums and through different mediums so that people could connect and share how they were feeling with different groups of people in different forums. Some, we created a space on the intranet, on GS web, where people could share the emotions through written word. We actually had one of our managing directors whose written word was shared more broadly and ended up being shared on Bloomberg and everything else in terms of how he was feeling. And we felt that creating a greater understanding of the lived experiences of black people was important and, frankly, a competency gap for many of our colleagues.

We also have the platform talks at GS, which we developed a very specific racial equity speaker series to make sure that we were getting multiple perspectives on racial equity from thought leaders around the globe. And we also developed a training on starting the dialogue on race in the workplace. That is something that most people are not comfortable with and don’t always feel they have the tools.

And anything we do in the diversity/inclusion space at Goldman Sachs, not only are we going to set the policy or set the standards, but we are going to make sure we arm our leaders, our colleagues with the tools in order to execute against that remit.

The last few things I will say is that I do think as an industry, the responses were strong. There were a lot of goals set. And I feel like that was important because that meant not only were leaders talking the talk, but they planned to walk the walk. Change is not something that happens in an instant but, rather, over time and through intentional systemic and systematic approaches.

So, we were not the only firm that put goals out. We already had a goals-based approach to entry-level hiring, which was public, way prior to Memorial Day weekend. We were on a path to set public goals around vice president representation, which did come out post-Memorial Day weekend, but I think those pledges are important. And it is not just important to make those pledges to make the statements, but now we all as an industry have to execute against those public goals and continue to provide the tools and build the competencies in order to do so.

And, remember, it is not just about diversity. It is about inclusion. So, it is not just getting the numbers in if our leaders are not inclusive leaders and managers. And if that is not part of how they are evaluated, then that is, you know, shame on us.

We also created a guide for allies for racial equity so that we built the competency, the language, the comfort. What do you do? What is an upstander? All of that information is available to our colleagues. And we are also making it available to our clients.

So, I will stop there. Actually, I will mention one other thing. In terms of building competency on the lived experiences of our black employees, while we were very intentional not to make it the black employees' job to educate all employees on what it was like to be black in the world, we did feel as senior leaders, our black MDs could participate in a reverse mentoring program with our management committee, not just our global management committee but our European management committee and certain partners that are division heads. And through that reverse mentoring program, our management committee has committed to a nine-month curriculum in being reverse mentored by black MDs going through topics and discussing, at length, different topics and the different perspectives that we have on systemic racism, microaggression, mentorship and sponsorship in the workplace, et cetera. It is a guided journey over nine months but a tremendous commitment on the part of our senior leaders.

Thank you.

CHAIRPERSON ZAKIR: Thank you, Erika. No. That actually leads very nicely into our next question.

I mean, it sounds like you have -- you know, obviously the pledge itself, as you have indicated, is a great first step, but following up that pledge with a lot of support in the context of trainings and engaging in dialogues and mentorship. Obviously, all of those other tools in the toolkit also become very relevant as sort of follow-ups to those pledges. Right?

And so, I guess maybe I will turn to Leslie real quick and see if I can, Leslie, get your thoughts on what are some effective measures that you think organizations can put in place to address racial inclusion and equity.

MS. SCHREINER: Oh, great. Well, thank you. Thank you for having me on here.

I will just follow up on what Erika said I thought was really important about it is not about our black and brown colleagues to educate us. And, you know, one of the things that we did is -- we are much smaller organization, but we created a racial awareness page to help people educate themselves, educate themselves on the issues at hand and what they need to know. So that was one step.

I think another that I think is really important to start with, too, for our organization at least, was defining what equity means and what inclusion means because that can be different for every organization. And if you ask, you know, 10 different people, you are going to get 10 different answers. So we had to start with, you know, defining what that means and how we are going to work together and then how we are going to demonstrate that, how we are going to demonstrate equity and inclusion, and what are those behaviors. We had inclusive culture training for all our employees. And we talked specifically about the behaviors that were expected, not only from our leaders but for every member of our teams, and then having those conversations again at that team level.

You talk about understanding perspectives. We talk about having cultural competency, increasing that in our colleagues, and having events to help us get to know our colleagues in a different way and really appreciating the different perspectives they are bringing to that table. So, you know, once we have it defined, we did some training. We did listening. We did cultural competencies, which really create a better willingness to have those conversations at the team level on what does equity inclusion look like and how is it demonstrated and how is that impacted.

And, then, lastly, I will just say, too, I think it is important about accountability, you know, and how you be intentional about defining accountability around your equity and inclusion to move forward.

CHAIRPERSON ZAKIR: Thank you, Leslie. And that is very helpful.

And I guess when we think about sort of some of the barriers, you know, that I think organizations and individuals experience in the workplace, obviously, you know, some individuals shy away from speaking about race and racism for fear of making a mistake or sort of saying the wrong thing. And so, this brings us to our third poll question, which asks our members essentially the question of at times, you know -- let me just see if, A/V, you can pull up that third poll question. It essentially goes to this question of, you know, "are there times when you are not sure what to say or do around issues of race and, as a result, you have a tendency to remain silent?" I am going to wait just a couple of seconds to see if we can pull up the results. There we go.

And so the answer, that their response is here, 22 percent agreed, 61 percent disagreed, and 17 percent recorded no answer.

Yemi, let me turn back to you here. How should organizations start dialogues about race in the workplace and, in particular, get management and employees to meaningful engage?

MR. AKISANYA: Thank you, Nadia, for the question. And I think both Erika and Keisha talked about or gave good examples around, you know, how firms can do this.

And, just to add to the context, that moreso now than ever, the conversations around race and justice and the like are critically important within our communities, our firms, in our homes. And, therefore, I think firms have an opportunity to increase the investment and resources to insightful training, then facilitation conversation.

You know, a common theme, at least at the OTC, is the fact that we would like to acknowledge that within the OTC, respective of your gender or your race or your ethnicity, everybody has experienced exclusion at some sort or level. We could all own that. So, I think the idea here is that for some of us and for some groups of individuals, whether it is by gender or ethnicity, experience that more often than maybe some others. And because of such experience, the thought and the feeling of exclusion is more like up front in your experience than maybe some others.

So, I think the idea here is not necessarily what are the ways or the avenues to have such conversations. I think it is, how can we begin to inspire our colleagues to seek -- right? -- to seek, to want to have these conversations. Right? It is not a situation where we are making a mandatory training or mandatory workshop. It is exactly what Erika said. How can we have more inclusive leadership? How can we have more inclusive people leaders?

And I think that would trickle down into the fabric of the culture, where based on the questions, how -- you know, I think, Keisha, you mentioned the fact that -- and I will share a personal story. You know, in the tragic death of, you know, George Floyd and Brianna Taylor and others, I, as a black man, I struggled with my emotions in how to place that.

And I wasn't quiet about it. I did reach out to our CEO and shared my thoughts with him. And his reaction was phenomenal. He said, "Hey, listen. I want to hear what is going on with you and not just you, Yemi, but with the entire community of African Americans at the OTC."

So, in addition to addressing all colleagues and -- he also addressed specifically all black employees. And I can tell you the impact to that was tremendous because, you know, I think the three things we must remember or maybe -- should I say four things we must remember in this situation is the first thing is to listen. I think, you know, as much as we could get best practices and we could, you know, go out there and see what is working for company A versus company B, I think we truly have to respect the notion and something that Peter Drucker said that I really appreciated, that culture eats strategy for breakfast. And, if I may, I will say lunch and dinner as well. Right? So, the strategy part is great, but I think that within the organization, how are leaders leading this conversation?

And I will pause there, but I think it is more important to focus more on how we can inspire others to want to have this conversation, rather than what are the mechanism and mediums to have them? I think that is also very, very important, but it starts with the inspiration of folks 1 and 2.

CHAIRPERSON ZAKIR: Thank you. Thank you, Yemi.

And let me -- I mean, Erika, I think you have talked a little bit about this. Maybe I will turn to Sacha as well. You know, Sacha, can you share just based on, obviously, your sort of consulting with a variety of different organizations across the board, sort of what are some additional, you know, sort of ways in which organizations or workplaces can help foster, you know, those engagements? I think oftentimes as we go through each of these conversations, I am reminded again that it comes back to whose job is DE&I. Right?

And so it does begin sort of very much at the individual level, but I guess the question here is, you know, what can sort of organizations and our workplaces do to help sort of support those engagements and those conversations, in addition to some of the important points you have mentioned, Yemi.

So, Sacha, let me turn it over to you and see if maybe you can share with us some of your thoughts there.

MS. THOMPSON: Yes. You know, actually, as everyone was talking, I was taking notes because there were questions that were popping up in my mind. Right? And so, the last thing that I wrote down was -- and it was in response to Yemi’s response -- was around the importance of intersectionality. And I think what companies do is they become very singularly focused. Right? And that is how we got in this mess to begin with.

So, when you are talking about diversity/inclusion, 9.9 times out of 10, it was focused on gender and just gender. There was no intersection of race, disability, any other aspect of who we are in that.

And so, what you are seeing now, and especially like the last couple of weeks, what I have noticed was we are in Black History Month. And so a lot of these companies are focused on, you know, Black History Month and focusing on black employees, especially in light of what happened with George Floyd.

In the midst of this, we have an anti-Asian sentiment that is going across the country as well, too. And so what I am seeing is that, hey, we have needs, too, but it is the squeaky wheel gets the oil. And so how are you disenfranchising a group that has already been silenced, so already been marginalized in a way?

And so companies need to be able to step back and really look at this from an intersectional lens. How do we really focus our efforts across the board? What can we do? How can we create dialogues that bring some of that intersectional conversation together naturally?

You know, next month is Women's History Month. How many times are we having conversations about women of color in the workplace? Very few times that actually is the conversation that happens. And so I think there is an opportunity there to really expand beyond that comfort zone.

And it goes back again to fear -- right? -- like what are we afraid of saying or doing the wrong thing. Well, by not doing something, are you still doing the wrong thing? Right? And so how do you, then, push past that discomfort? How do you push past and leverage your employees? Many want to participate. Many want to support.

But, you know, again, the note that I made to myself here was, yes, let's lean into them, let's tap into them to help with these efforts, but how are we compensating them for this because this is above and beyond what they were hired to do at these jobs? And so how are you compensating them for this extra work and this extra time? Because, yes, we are not trying to exploit them to educate us, but we actually are to some degree. So, we have to start thinking about, how do we compensate them for their time and effort?

And it goes back to what Leslie was saying around equity versus equality. Right? And we have to understand what those two things are. They are not the same. And so when we start looking at equity, how are we providing support or removing barriers so that we are now at an equal playing ground. Right? If you are talking about equality, you are giving everybody the same thing, but if they are not on the same page to begin with or not at the same level, that equity means nothing. I mean, so, yes, that equality means nothing because they are still at different levels.

And so those are the ways that I think companies can start to evaluate what they are doing. How are we truly impacting those that are most marginalized in this space that need extra support or how can we -- and, again, we talked about this a little bit earlier around we see these goals around recruiting. Right? How can we increase the number of leaders X, Y, and Z, C level? What are we doing to ensure that they are staying there? Right? At what point in the process or in the system are they falling out? Are we noticing at the two-year mark that we are seeing a particular group fall out? Why is that?

And so we need to start evaluating some of those systems and start figuring out, okay, how do we create a mechanism here or a resource here that can help capture some of those folks before they fall out of the pipeline? What are we doing around promotion? You know, I am noticing quite a few companies saying, "Oh, we are going to hire," you know, a certain level of C suite folks in." Well, how? What are you doing to promote those that are already in your organization that already know that organization like the back of their hand to be C suite folks? Right? What are you doing to help maintain that level of growth within the organization?

And so, again, it is a mindset shift in going away from these checkbox activities of, "Yep. All right. We are doing this. We are doing that" to really evaluating and turning into and looking into where are we messing up? Right? This isn't on the employees all the time. Where are our systems broken? And what can we do in order to fix this so that we can then support our most marginalized employees?

CHAIRPERSON ZAKIR: Yes. Sacha, I think that that is an excellent point. And, you know, it brings me to another sort of question, I think, that is important for us to talk about, which is, you know, sort of at PIMCO, we talk about intersectionality, which, obviously, is something that you have raised and the recognition that our people have multiple identities, which may not align to one group alone. This also, though, makes quantitative measurement an important but imperfect tool alone -- right? -- to measure progress, sort of I think exactly your point. And so we sort of have believed that a combination of qualitative and quantitative approaches are more optimal.

Can you talk a little bit about how an organization can measure the impact of their programs and initiatives that are designed to make progress on inclusion and equity, in particular?

MS. THOMPSON: Yes. I think there are several different ways to do that. I think that we often look at numbers as the only data. Anecdotal data is data as well, too. Right? And so what are people actually saying? What are they experiencing in your environment?

One of the areas that I do a lot of work in is psychological safety. And the first level of psychological safety is inclusion. Right? So, if I don’t feel included, I am not going to contribute. Like, that is what it boils down to.

And so how psychologically safe is your environment to begin with? You know, are you creating an atmosphere where people feel included, they feel that they can learn -- right? -- and without question, without recourse? And so I think some of the feedback from that is helpful in this process.

And, of course, the numbers help, but, again, are we looking at the right numbers? And are we looking at the numbers the right way as well?

Again, it goes back to the system. So where are people falling out of the process? And is it a particular group that is falling out? Right? Are we noticing that? You know, when it comes time for a performance evaluation, is there a particular group that zing-zings more than others? And what is that? Right? And so really diving deep into that information I think is important as we look at this data holistically.

CHAIRPERSON ZAKIR: Great. And, Erika, let me come back to you as well because, obviously, you have described some very important, you know, sort of practices that I think organizations -- and measures that organizations can think about taking in this space. What does success look like, you know, when we think about the impact of those initiatives and/or programs?

MS. IRISH BROWN: Sure. Thanks for that question.

I do think that which gets measured gets done; right? So, you are tracking success both on the quantitative and the qualitative. So certain, you know, hiring stats, promotions, BATs, attrition stats, all of that, I think speaks to the diversity part of the equation, but I think you can also measure inclusion through survey work, through voice of, you know, your colleagues, the people that are leading your employee resource groups, and things of that nature.

So, one of the things that we have shifted in our employee listening strategy is not just to do that standard, you know, one-employee survey every other year and measure the data and work on it for another year and then measure it again. That was sort of the typical approach back in the day, so to speak, but now, employee listening has to be much more fluid, ongoing pulse surveys, representative samples, and then looking at that data sliced and diced by race, gender, tenure, seniority, et cetera, to really understand what our people are experiencing.

So, absolutely, you can use numbers to look at disproportionate impact. And all of that should be in place and just part of the system at this point. You know, diversity/inclusion should be embedded as business as usual in any human capital process, you know, just up front.

But in terms of really measuring inclusion and having those dialogues and having senior leaders that can be the voice of those individuals, you know, in the C suite, around leadership tables, to, you know, really share sentiment on how people are feeling is really important. And what is most important is that if you are going to solicit the views and experiences of people and how included they are feeling or not, you have to be prepared to respond to the answer.

And that is another thing. A lot of times, organizations get a lot of input on sentiments, but there is really no addressing of that sentiment. At a certain point, people will just stop giving the input. So, it is very important to say, you know, "You said this. We heard this. So, we did this. And these are the results" and make sure that you are both taking it in and reporting it out and looking at the data across dimensions which can capture the different sentiment and people who identify in more than one way.

Intersectionality is such an important concept. And I think, you know, depending on where your organizations are in the journey, you know, may depend on what you are or aren't addressing. To Sacha's point, a lot of organizations start with gender, but hopefully for a lot of the organizations that are represented here, there has been an evolution and an acknowledgment of intersectionality.

And if leaders want to understand more about that, Kimberly Crenshaw is the perfect person to Google and watch her TED talk and read, you know, her work to understand intersectionality.

The last thing I will say about intersectionality because I do think it is germane to the conversation is that you can also encourage that through, you know, the activities of your employee resource groups. So, even during my tenure at Bloomberg, we had this, you know, informal rule -- right? -- that no one network could do things in their own silo. Right? It is like preaching to the choir in a lot of ways. So there had to be a level of partnership, whether or not it was with an external partner; an internal partner; another network; even, you know, a business of division, a line of business where you are creating partnership, creating two-way dialogue; and, you know, education across dimensions and with different groups so that you are not just in an echo chamber.

So that is where, you know, greater understanding and that comfort level of having these discussions that often can be uncomfortable, that is where you build that capacity and make it okay to say the wrong things because there is like relationship and trust that has been built over time and through different forums that are meant to be safe spaces.

CHAIRPERSON ZAKIR: Right. Right. Now, that is all great points, Erika.

Yemi, just before we move to this topic, I would like to give you and Keisha both an opportunity to talk about this as well just given, obviously, how important both this topic of intersectionality itself but also sort of how organizations can measure, you know, progress and sort of how do they take that internal temperature to see if they are doing a good job or if they need to be, you know, sort of switching things up, looking at different types of initiatives or programs. So, Yemi, why don't I come to you? And then, Keisha, I will come to you next.

MR. AKISANYA: No. Thank you for the question. And I will do my best not to be redundant because I think my colleagues on the panel have really covered quite a lot.

So, with regards to intersectionality, I think it is really an important point because we think about how we collect data. Right? So, typically, when you, you know, build a diversity dashboard of sorts, you are looking at demographics that are pretty straightforward. Right? We are looking at, you know, ethnicity. We are looking at African Americans; you know, Latinos; X; Y;

and Z. You look at gender. And that is really what we look at. Right? You get the report.

And I think something that is interesting -- I will share a story with you all -- is, you know, sometimes looking at the data, you see, you know, from a diversity of ethnic group or should I say, you know, people of color that kind of combines people of color. And it might come off that, "Oh, my God. You know, 35 percent, people of color." And you are thinking, "Oh, we are doing a phenomenal job. We are ethnically diverse." And it is not wrong to make that statement -- right? -- because the data does tell you that. But I think an opportunity -- right? -- is to drill down into that data and look at maybe the different ethnic groups and now intersectionality. Right? Now let's look at, you know, not just African Americans or gender with women. Let's look at, you know, African American women. Let's look at, you know, Latino/Hispanic women. Right?

And I think when you get to that level of data and you take that data and you now look across your function, your business functions, and you now look across your levels, your business levels, you begin to see a completely different picture. Right? And I think I think that is where you start. I think you start with that level of data and then you scale up. It doesn't mean you disregard the progress you are making. I think that is not what this is about. I think you want to seek opportunities where you could truly make a difference and typically happens under that intersection, marginalized groups of individuals.

And then when you do that, the question is, okay, how do we assess? And how do we get feedback? You know, we have heard engagement surveys. We have heard all of this good stuff. I think that works great. But I think the opportunity -- if you don't already have ERGs for such groups, I think focus groups are powerful, is to grab a group of individuals who are at social equity within a company and say, "Hey, can we talk to you about this?"; whether you make it anonymous -- I think a lot of folks seem to be more comfortable when they don't have to, you know, show up in person or put their name behind their thoughts -- but to begin to be more specific, intentional, and targeted about the feedback that you are collecting -- right? -- again, because the same issue happens on that engagement survey or even in that ERG group. Right? You sometimes lose that very important voice. We typically are very quiet. And that is the voices you want because that is where you start to make the biggest progress again.

So, I think there is power in using the data and really drilling into the data and identifying those groups of, you know, community of folks and then talking with them. Right? Listen to them. And then assess and then strategize and then act. And it is a repeating factor. It doesn't end.

You know, when you talk about what the success looks like -- and I am sorry. I have to jump in on this real quickly. It is such a relative term in this regard, such a relative term. Right? I think success looks different from firm to firm, from culture to culture. I think the closest we can come to truly answering that question is how we live our values from day to day. It is truly about employee experience. Right?

And it is not one employee. It is not just one group of employees. Right? It is all of our employees. Right? I think everyone on the call would agree that for most of us, our body of employees are our greatest asset; right? They are the ones who is driving the work that we do that is so super. But I think that we need -- and I love who mentioned the fact that so often, we, talk about, you know, women and ethnicity but so little, we talk about disability; so little, we talk about other things like that.

And I think that is what success looks like to me, is when the conversations we are having, it is not always driven by the DE&I lead. It is when businesses are the one asking questions about, "Hey, what are we doing with this regard? What are we doing with that regard? Hey, I noticed this. I noticed that. Hey, I am calling this out. I am calling that out." I think that is what success looks like. And that can only be measured with -- I am sorry -- with your eyes, with your experience. What are you experiencing? Surveys cannot give you that answer.

Anyway, my opinion, but thank you for the question.

CHAIRPERSON ZAKIR: No. Thank you, Yemi.

I, also again, just given the importance of this topic -- and I know we have already covered a lot of ground. I do want to give both Keisha and Leslie an opportunity in case you would like to add anything further on this question before we move to the next.

MS. BELL: Everyone has been so comprehensive. There is not a lot to add.

But I would just add two things -- right? -- in terms of data and information, intersectional information. Right? We talked about surveys, however often we do employee surveys. But I would implore folks to look at write-in comments. I spend, my data person spends weeks and weeks going through those comments because they usually are leading indicators of things that I could be proactive about -- right? -- that questions themselves don't necessarily address, but people have taken the time to write in those comments. And especially around diversity, equity, inclusion work, I found them to be an invaluable resource.

The second thing I would say is exit-interview information. Sometimes it is tough looking at that. You know, you have to take it with a grain of salt.

But, especially for underrepresented populations, it is a key bit of information that I like looking at, again to help me lead me in the right direction for what I would need to do next or what I would need to address.

That is all I would add.

CHAIRPERSON ZAKIR: Okay. Great. And, Leslie, let me come to you. Any final words on this particular question before we move.

MS. SCHREINER: Well, it is hard to go last.

First of all, if you could look at my notes, I think Yemi just read them off my page because exactly what he said was exactly what I was going to say about, you know, it looks different for every place. You have to ask. It is the intersectionality of the quantitative and the qualitative data. So, I will let us move on. But those are excellent comments and 100 percent agree.

CHAIRPERSON ZAKIR: Okay. Great, great. That is fair.

I guess, you know, obviously, what we have covered here -- and we have covered a lot of ground, but I think, you know, a lot of I think what I hear each of you saying is that, you know, obviously, a critical part and component of measuring progress is really understanding, obviously, whether people feel valued. Right? And so, at PIMCO, for example, we focus on inclusion and diversity since we believe that it is a combination of both which leads to the best outcomes. And inclusion obviously is a lot more intangible and harder to quantify because it is more about whether people feel valued and can be their authentic selves in the workplace.

And so I guess one question here that I would like to throw out to the panel is sort of, what does authenticity mean in the context of DE&I and why is That so important? So, I don’t know if anyone wanted to go first here, but I am happy to maybe see if, Sacha, you want to kick it off. And then we can kind of -- anybody else who would like to talk about that maybe address it as well.

MS. THOMPSON: Sure. So, I think for me authenticity is being able to show up as who you are knowing that there are no repercussions. Right? And I think that is the key piece. Right? I will not be punished for being myself.

And when I think about it, I think about it in the context of, you know, we often hear of people having to code switch or having to put on a mask or, you know, show up in a way that is approved by the company culture. Well, you can't have one. You can't have both. You can't tell me to be my authentic self, but then I have to fit into your mold. Right? And what is that mold based upon? And that is a whole other conversation, probably for another day. But I think, you know, when you ask people to show up as their full 100 percent authentic selves, that you are also able to accept that -- right? -- and what comes with that, the nuances that come with that.

Now, that doesn't mean that people need to, you know, act out or, you know, do something that is, quote, unquote, not professional, but, again, how are we defining professionalism? How are we creating these systems and structures to hold people in this space? Right? And so, I think once we can get to a point of, "You know what? We truly do want people to show up as their authentic selves," we have to know what we are asking for in that and what is acceptable because what often happens in that case is we say it but then we have this mindset of this is what authenticity should look like and if it doesn't fit into that box, then we penalize that person for doing exactly what we told them to do.

CHAIRPERSON ZAKIR: Super interesting. Yep. Let me see if maybe others on the panel may have more thoughts on that.

MS. SCHREINER: Well, I think it is really good point Sacha made about being authentic and not I guess have any repercussions from that, I would say. And that can come in different forms.

So, I think you also talked about, you know, creating that safety -- right? -- that safety where we can have conversations. That doesn't necessarily mean I have to make everyone comfortable at the table. Do I have to present it in such a way so everyone feels comfortable? You know, I don't think that is the goal in authenticity. You know? We need to be able to share our story. We need to do it in a real way where there are not repercussions. But it doesn't mean I am responsible for making everyone at the table comfortable. I think people have to be -- we have to be open and listening and sharing those perspectives, so just something else I would add to that.

CHAIRPERSON ZAKIR: Thank you. That is a great point as well. And maybe this is a good time for us to go to sort of our fourth poll question, which asks individuals, “do you consider yourself to be an ally or an upstander?” And an upstander is essentially defined as a person who speaks or acts in support of an individual.

And so let’s see if we can bring up those results because I think that is a nice way to kind of bring together our thoughts on this topic. Let’s wait just a couple minutes for that to load. Okay. Great. So, the answer is 81 percent say yes, which is great, and 0 percent no, 19 percent recorded no answer here. So I think that was obviously just a -- you know, I again want to thank the panelists for that conversation because I think that was very, very helpful.

And I want to kind of sort of pivot a little bit to sort of talking a little bit about sponsors and mentors. The Center on Talent Innovations Research points out the challenges of underrepresented employees who are looking for executive roles in securing sponsors or mentors. So, first, what is the difference between a sponsor and a mentor? Sacha, can you touch on that one more time before we launch into some of the other questions, maybe just kind of pointing out how we should think about those two differently again?

MS. THOMPSON: Yes. And I think Keisha did a great job at the top, you know, talking about that and the different ways to look at it. I think, again, for mentors, mentors are the people that you go to that, you know, like you ask for advice or you ask for support, "I am dealing with a certain, you know, situation. How would you handle it?" or "Can give me some recommendations on how to handle it?"

A sponsor, for me I look at sponsorship. I might not even know who my sponsor is. They are the people that are going to be at a table where I am not invited necessarily but will sing my praises at that table or provide me with opportunities to get access to that table.

And so, you know, what I have noticed or what the data actually shows is that underrepresented groups are truly over-mentored and under-sponsored. Right? And so how do we move? And how do we shift to not just saying, "Oh, I want to mentor" because I think there is a level of saviorism in that like I do it because I feel good versus the sponsorship, which I get nothing out of this, but I am now providing a platform and support for somebody else to succeed. Right? And so, I think there is that shift that needs to take place when we talk about sponsorship.

You know, the example that I give was in my last role in a corporate space, I had a sponsor that after a conversation with her -- we were in two totally different departments. I get a phone call from her admin, then, that following Monday saying, "Hey, this VP wants to provide you with headcount because she believes in the work that you are doing," again, not my department, not my team, but she's using her resources to support me. Right? And so that was something I had no clue. Again, it was over a glass of wine that we had a conversation. Right? But, again, she used her privilege and her position to be able to support and sponsor me in that way.

And so I think we need to start looking at, how can we lend our privilege or our ability to be at the table to pull others into positions or roles that they would never necessarily have access to otherwise.

CHAIRPERSON ZAKIR: Okay. Great. Thank you. And I think thank you for sort of teeing that up. And I know Keisha talked about this as well and sort of laid it out very clearly.

And, you know, I think at the risk of sounding a little repetitive on this panel, I think it is important for us, though, to kind of crystallize some of these points so that, you know, they are important takeaways for our MRAC members. Right? And so not only is it really about, again, you know, what can organizations do but how can those organizations continue to support individual employees. Right? And they are sort of wanting to take on the role of being a sponsor or a mentor.

We talked a little bit about, you know, executive roles in particular. And I guess one question I would like to come to here is, just when we think about, you know, how have some of your current or former organizations addressed the lack of diversity, particularly at senior levels and senior leadership? And maybe we can talk a little bit about, you know, kind of building a diverse pipeline of talented employees, where to look, and that sort of thing.

So, let me start with Keisha there. And maybe I will kind of go down across the virtual room here and see if others might want to weigh in on that as well.

MS. BELL: Sure. For my firm and to Yemi's point earlier, every firm is going to be different because every firm's culture and movement is different from my firm.

We are a 5,000-5,500 global workforce. The CEO said, "I want to do better" around a representation, specifically around underrepresented groups. "So, I am going to pull the DE&I function out of HR. I am going to have it report directly to me and the board. And I am going to put you in the role to help me source diverse talent at senior levels of the organization."

And then what I found digging into the data, not only we had this barbell effect, we weren't doing it at the base level and retaining that talent and we weren’t doing it at the senior level. Right? So, we never had an opportunity to build the pipeline. So, my role is to source that talent.

I hired someone to do diversity sourcing. She engages with lots of organizations that have underrepresented talent. We also engage, not the usual suspects necessarily in terms of executive search firms, et cetera, et cetera. We also leverage our own personal networks and networks of the ERGs in our organization and their referrals for that hidden talent.

But in terms of a secret sauce for where to look, you look everywhere; right? You look everywhere there is potentially an opportunity for someone diverse. And you do it before the role is available -- right? -- because when you are doing it when that job description is available, it is kind of too late. You are sourcing people consistently throughout the year, even without a role, so that when those roles do come up, you can put that candidate forward and that candidate has also been prepared and understands what the culture of your organization looks like so they can kind of get through that hiring process a bit easier.

So that is just some of the things that we do at DTCC.

CHAIRPERSON ZAKIR: Very helpful. Erika, let me turn to you and see if you could maybe share your thoughts on the same question.

MS. IRISH BROWN: Yes, Goldman Sachs has been really intentional around its leadership pipeline. So, you know, and even for the fact that 67 percent of our last partner class started at the firm as analysts, you know, I don't downplay our entry-level hiring goals and our vice president representation goals because that is what is going to keep us on track to our leadership pipeline.

Over the last couple of years, we have been very intentional and looking at our leadership pipeline, making sure we were retaining our managing directors, that they had platforms to become partners, making sure we were investing in accelerating the leadership opportunities for our vice presidents. And we have had record diversity.

We alternate classes. So, every other year is a partner year, and every other year is a managing director year. So, starting in 2018, we had a record year for partners. 2019, we had a record year for managing directors. And 2020, we had a record year over the record here for partners.

So, you know, it is a multi-year process. It is not something that you can say, "Oh. Let's, you know, tweak the leadership pipeline" or "think about leadership pipeline this year" and think that the next year, it is going to show up. So, it takes real intention. But at this point, the investment that we put in we sort of expect every year will continue to grow.

And, you know, if I think about our 2019 MD class, without any double-counting, say, for, you know, a woman and a person of color, you know, over 50 percent of that class was diverse. So, really, for each class, we are looking at 50 percent diversity any way you slice it, which we feel great about.

So we do think setting goals and being intentional and making sure that you are not in the position where you are saying that person isn't ready --

you know, you have got to plan out 18-24 months what makes somebody ready, what succession plans are they at, what skills do they need to build, what visibility do they need to have, you know, what exposure, et cetera, so that by the time that time comes, that they are well-positioned for that next level opportunity. Can their role be expanded? Do they have broad span of control? All of those things matter. And we have been on a journey and doing that over a period of time. And it is certainly not without mentorship and sponsorship and allyship.

And the one thing I will share -- I know we talked about the CTI data. And I have spent a lot of time with CTI. But also take a look at the McKinsey women in the workplace data because, you know, the importance of sponsorship and mentorship cannot be refuted, but if you look at the McKinsey report, when the question is whether or not senior women and senior men practice allyship for women of color and only 38 percent of women and 23 percent of the male respondents actually mentor or sponsor a woman of color. So those are very low numbers, especially when you think about the fact that you have 63 percent of women and 42 percent of men that believe that they actively listen to the personal stories of women of color, that they think about their biases, that they publicly acknowledge women of color in their work. And, then, so few leaders actually mentor or sponsor women of color or try to enlist their peers in racial equity efforts. At that point, you are under 30 percent.

CHAIRPERSON ZAKIR: Thank you, Erika. That is also very insightful.

And yes, I obviously want to be a little bit cognizant of time here. And I do have a lot more questions for our panelists, but, obviously, I think we have covered a lot of ground, which I think has been, you know, fantastic.

And before we go to sort of our last question here, I did have another question I wanted to pose here, which is, you know, sort of at PIMCO, we have instituted five performance criteria against which employees are rated, regardless of level and tenure, as part of the performance management process. And one of those five criteria is living our values. I guess one question here is, you know, "should organizations use diversity as a performance metric in annual reviews?" And how should they go about doing so?

And so, I don't know if maybe there are any folks on our panel who would like to jump in first on that topic? Maybe, Sacha, I will come to you just so you can tell us a little bit about sort of, you know, organizations based on sort of some of your work with them.

MS. THOMPSON: Yes. So, I mentioned a little bit earlier that I do some work around psychological safety. And what I appreciate about that work and that assessment is that the onus is on the leader -- right? -- and so what I am starting to see and having conversations with clients on is we do this assessment every six months. And if there is growth in that process, they are starting to use that as part of their performance evaluation. Right? How inclusive of a culture is this? Right? How psychologically safe of an environment is this for my team? And what work has been done in this space? And I think it takes the onus off of the employees, especially those that are most marginalized in this space, and really puts it back on the leader -- right? -- to ensure that that is an environment that is worth being a part of. So, I am starting to see more of that in this space.

I am also seeing -- and I think everyone has kind of touched on it a little bit -- around just hitting those metrics. Right? As a team, are we hitting those metrics or are we relying on one part of the business to pull those metrics in for everyone? Right? And so, what are we seeing across the board? And who is responsible for those things? I am seeing some of that right now.

But, again, I think what is interesting is a lot of the organizations that I work are just now starting this journey. Right? The folks here have been doing this work for a while.

And so, again, kind of going back to what Yemi was saying, it is going to look different for everyone. And so, again, the folks that I am working with are just now starting off. Like, they still have training wheels on. And so, what they are starting to evaluate looks very different than I think what the rest of the panelists are seeing.

CHAIRPERSON ZAKIR: Right, right. And I guess I will kind of -- before we go to the Q&A for our MRAC members, maybe I will kind of throw out a last question here for all of the panelists. And maybe, Leslie, I will start with you. "What sort of final advice do you have for the MRAC members in their role as team leaders and managers with respect to DE&I?" I know we have covered a lot of this already, but if you had sort of, you know, advice for the top of mind, maybe you can tell us what that would be? And we can just kind of go round robin across the virtual room here.

MS. THOMPSON: Yes. I think we have kind of touched on this a little by everyone. And, you know, in the poll, it said everyone is responsible. And I really do believe that everybody has a role.

And you know MRAC members, they are leaders in their organizations. And so they have platforms. They have platforms of influence by their leadership. And they have to use those platforms of influence and demonstrating their commitment to diversity/inclusion and sharing their own self-reflection education growing that they can share with their teams. And so, I think that personal commitment, that personal dialogue is just really important. And everyone can be have that platform of influence.

CHAIRPERSON ZAKIR: Thank you. Okay. Great.

Yemi, why don't I go to you next?

MR. AKISANYA: Thank you, Nadia. It has been a great conversation.

You know, one thing I would leave with the group is I think that understanding intent versus impact, it is a very important distinction we must recognize while discussing sponsorship, mentorship, or allyship. And as we try to become allies and mentors and sponsors, we might find ourselves focusing so much on our good intentions. And in some cases, in my case, it makes me feel good. It makes me feel better about who I am. And it reinforced the image I have of myself. But, as we have heard from today's stories, I think that unless these good thoughts make it out of our heads and turn into supportive action, we aren't helping anyone. Right?

And it is true that many of us are unaware that we need to bridge the gap between impact and intent to make real progress. And I will give you a quick example here on our part. For example, expressing good intent sounds something like this, and this is something I have done over and over. “Oh, I have a daughter. You know, I understand the struggles of women that they face in the workplace. And I, too, seek equality for all.” No doubt this is true. Right? But I think the idea here is that wishing that gender discrimination would end is not the same as taking an active part in reporting harassment that you have witnessed in the workplace and speaking up in a meeting when you witness mansplaining or microaggression or nominating a woman for a special recognition or a promotion or maybe even a mentorship opportunity or actions that can change status quo.

So that is what I would say here, is that I think it is just critically important to understand that mentorship and sponsorship, it is about impact and not just intent.

CHAIRPERSON ZAKIR: Thank you, Yemi.

Sacha?

MS. THOMPSON: Yes. I actually want to just follow up. I was nodding and writing notes as Yemi was talking because I often say, you know, allyship. And now I will add, like, sponsorship and mentorship. Those are verbs and not now. Right? And I think oftentimes people, when we saw those survey results just now of that large number of people that consider themselves allies, it is not a self-appointed thing. Okay? It is the folks that are most marginalized, would they consider you an ally in your actions? And if that was the case, would the numbers reflect the same way?

And so, we need to get out of these positions of trying to make ourselves feel good. So, it goes back to what Yemi was saying about intent versus impact. Right? I intend to be a good person, but what is the impact of what I am doing? And if I am just saying something versus doing something, what is the impact in that? So, I think that there is something that we really need to think about as we take on these words to label ourselves. So that is one.

The second thing is to take this a step further in this conversation, especially if we are talking about financial services. A lot of the conversation around diversity and inclusion has to do with employees, but how is it impacting the marketplace? How are you showing up in the communities that you serve? And I am doing a panel later this week. And someone brought up the idea of it is the difference between having a conversation between financial management and wealth management in communities of color. Right? One of those conversations happens more than the other. And why is that? Right? And so how do you really start taking these conversations and looking at it externally? And how is it impacting these organizations in the communities that you are reaching?

You know, again, to the point of what are we doing around disability, is your website even accessible to your clients? Right? What do you do for those that may be hard of hearing that are coming into your offices? And so really thinking about this beyond just employees, but how can you be a multicultural, diverse organization and make that a part of your company's DNA?

CHAIRPERSON ZAKIR: Great. Thank you.

Let me go to Erika next, and then we can we can wrap it up with Keisha. Erika?

MS. IRISH BROWN: Thank you so much. And Sacha took a lot of my material.

You know, I do think everybody really is focused on allyship and even that above and beyond what we have always talked about when it came to mentorship and sponsorship in the current environment. And everybody should feel like racial equity and equity for all is their struggle. Right? We should take the struggle on as our own. You know, stand up. Speak out. Be an upstander. You know, even if you feel intimidated or you are uncertain, you need to stand up and speak out. Silence is endorsement.

And make sure that you educate yourself because you might feel uncertain because you don't have that level of familiarity, but the information is there. It is easy to Google. You can go to any website and educate yourself.

And just because you educate yourself doesn't mean that you have to be an expert in diversity and inclusion like we are and to know everything. You know, you want to be an active listener. You can acknowledge that the conversation is not about you. And you are not expected to have all of the answers, but you are expected to have the conversation and listen.

And we all -- there is nobody on this Zoom or WebEx that doesn't enjoy privilege. And privilege comes in many forms. And whether or not we are talking about white privilege, whether or not we are talking about the privilege of the educations we all have enjoyed, whether or not we are talking about the privilege of the organizations we work at, financial privilege, whatever, we all have privilege. And we need to transfer the benefits of our privilege to those who lack it. And that will make a tremendous difference for everyone involved.

CHAIRPERSON ZAKIR: Thank you, Erika. Thank you.

And, Keisha, last word?

MS. BELL: I have nothing. I have nothing.

CHAIRPERSON ZAKIR: That is fair.

MS. BELL: I mean, everything that everyone said is so relevant and true and honest. And having access to these types of leaders to give us this information is just, you know, wonderful. Right? It gets me a little choked up.

What I would say to add to all of this, to wrap this all up, is that if you are starting out your DE&I journey in your organization or you are just starting out for yourself, accept the fact that our workplaces are not meritocracies. We want them to be. We aspire for them to be. But they are not. They are absolutely not.

To Erika's point, all of us have some sort of privilege. All of us have stepped up or stepped down from others. And to begin your work in DE&I, you have to understand that there are certain headwinds your population and your workforce is facing that others are not. And the work of DE&I is figuring out what those headwinds are and trying to unravel them.

CHAIRPERSON ZAKIR: Thank you so much. That is a great way to sort of close up the question here.

And so before I thank the panel, I would like to first move to see if we have any questions from our MRAC members. And I would like to now open the floor for questions from the membership.

As a reminder, members, please use the raised-hand feature to ask a question or use the chat. Angie Karna, Nomura Global Financial?

MS. KARNA: Thank you, Nadia. Acting Chair Behnam, Nadia, Alicia, I really want to thank you for putting this on the agenda for the MRAC today. And all of our panelists, your thoughts and insights were incredibly valuable. It is amazing to hear what you are all doing. And I took copious notes for taking back to my own institution.

My question, frankly, for all of the panelists, we talked about the fact that this is really important. The issues around diversity and inclusion are critically important from a business perspective. They are critically important from a risk perspective to make sure we have diversity of thought in all of our institutions. My question for you is, you noted at the outset that progress is still happening slowly. So, is there a role for the CFTC, who regulates so many important financial institutions, and other regulators in helping to move along progress in this space?

CHAIRPERSON ZAKIR: That is a great question.

I don’t know if, panelists, if you would like to address that? Leslie, I think you may be on mute if you are speaking.

MS. SCHREINER: No. Can you all hear me?

CHAIRPERSON ZAKIR: Thank you. Yep.

MS. SCHREINER: Okay. So, as you know, as a regulator, our actual regulator actually does have diversity/inclusion regulation. And so, I do think it is very helpful in that it sets at least a minimum standard of what organizations should be doing towards diversity/inclusion.

Now, I by no means say that is the end all and be all this. If this sounds like and feels like compliance, then that journey gets derailed. Right? So, it really is about that business case and everything we just talked about today, but I do think it helps at least providing a minimum platform and helping, you know, give some guidance and give some emphasis from a regulator standpoint.

CHAIRPERSON ZAKIR: Thanks, Leslie.

I am not seeing any further questions from our MRAC members. And in the interest of time, what I would like to do is just turn to our final poll question and would like to ask A/V to please display the results of that final poll. The question is, "in light of the events in 2020, are you optimistic that we have a meaningful opportunity to make real progress around racial equity and inclusion within our industry?" Okay. Thank you.

And, obviously, we didn't know the answers to these questions before we put them out there, but it is always nice to end on a high note. The response here is that generally, our MRAC members are optimistic. The answer is yes. Seventy-five percent voted yes. And 6 percent voted no. And 19 percent did not provide a response.

So, with that, I would like to again thank our esteemed panelists today for your time and very insightful discussion. I certainly have learned a lot and have taken a lot of notes. A special thanks to Alicia Lewis for all of her hard work in helping to organize this panel and just helping to sort of think through the questions and the organization. So thank you, Alicia, for all of your work.

These conversations obviously are just the beginning, and there is a lot more work that needs to be done in building a more inclusive workplace in the industry. But we do hope that each of our members will continue these conversations at their respective firms and that our members were able to benefit from some of the discussion today.

And so, with that, I am going to turn it back over to Alicia. Thank you again to our panelists.

MS. IRISH BROWN: Thank you for having us. Bye bye.

MS. LEWIS: Thank you to all our panelists. That was such a dynamic discussion and, as Nadia said, is probably the first of many. So, again, thank you for your participation.

And, well, now it is time for closing remarks. Commissioner Berkovitz?

COMMISSIONER BERKOVITZ: Thank you, Alicia. And thank you, all the panelists.

Excellent, excellent last panel on diversity. I appreciated the various perspectives and experiences and thoughts, very worthwhile, and gave us so many things to think about. I am looking forward to the recommendations, digesting the recommendations from the other panel, discussing it with the members of the committees and the community at large, and my colleagues at the, at the CFTC. Thank you again, Alicia, Nadia, and Acting Chair Behnam, for sponsoring this and organizing this excellent event. And thank all of the MRAC participants for their time and attention and thoughtful discussion and recommendations. So, thank you very much. Be safe.

MS. LEWIS: Thank you, Commissioner Berkovitz.

Commissioner Stump?

COMMISSIONER STUMP: Thank you, Alicia.

I, too, want to just take a few moments to speak about the last panel. I took copious notes, and I learned quite a lot. And just a couple of highlights for me and takeaways is this concept of distinguishing mentorship from sponsorship that Keisha recommended or noted, the real competency gap that we have that I believe Erika mentioned. I appreciate that Angie brought up the regulator's role and that Leslie was able to provide some insight there.

And, then, I learned a new word, "intersectionality," from Sacha and Yemi. And I think there are some real lessons to be learned with regard to intersectionality. Perhaps it can be applied in some of the progress that we have made thus far with regard to gender diversity that I have personally experienced improvements in, in my 25-year career.

And so, I just want to commend Acting Chairman Behnam and you, Alicia, and also Commissioner Berkovitz for bringing this up during his last advisory committee meeting, the opportunity to gather such a group of leaders. And the financial services world presents a good forum for this progress. I mean, after all, we are all problem solvers. And that is why these advisory committees exist, to help us at the agency solve problems. So, I think this is a good forum to have these discussions.

And, with that, again, there was a tremendous amount of information on some of the other panels. And there is much work to be done, obviously. And I always benefit from hearing the diverse viewpoints of all of our regularly TED and market participants and our registrants and those who have a vested interest in ensuring that the work we do going forward is adapted to the current circumstances. So, again, a tremendous debt of gratitude to everyone who worked to pull this meeting together. And I appreciate all of the participants who took time from their busy schedules to be with us today. Thanks.

MS. LEWIS: Thank you, Commissioner Stump.

Commissioner Quintenz?

COMMISSIONER QUINTENZ: Yes. Thank you, Alicia. And thank you to you for organizing such an exceptional meeting today and again to Nadia for her stewardship of the committee and the dialogue and, of course, to Acting Chair Benham for his thoughtful leadership, too, on so many issues over the course of the last number of years that seemed to pay a lot of dividends in the meeting today.

I would like to associate myself with Commissioner Stump's remarks around the last panel and how thoughtful and impactful some of that discussion was in terms of providing some time some type of concrete actions and principles and thinking framework to be able to take in addressing these issues and moving them forward.

All of the presentations today were wonderful. I would, in particular -- it may seem like a small issue to everyone else. It has long been something that I have advocated. I would, in particular, like to recognize the recommendation that came out around the de minimis thresholds. I have long called for a full-scale rationalization of the swap dealer registration and de minimis dealing framework, including moving away from notional value as a poor measure of activity and a meaningless measure of risk, as well as exempting exchange traded or essentially cleared swaps from that calculation. These suggestions have always made intuitive logical and regulatory sense and fit well within the four corners of the CEA, certainly as much as anything else that we heard today. And in what I view as somewhat of a rebuke to the Commission’s inability over the past number of years to make further progress, even though some progress was made, in rationalizing that, in my view again unjustifiably designed de minimis threshold, I was glad to see such overwhelming support of a broad and diverse coalition to recommend those changes.

I have still yet to hear any substantive thoughtful rebuttals to these proposals, including today, that are really based on policy outcomes, as opposed to any implicit bias that exists, either institutional and situational or political and philosophical, as opposed to focusing on the policy outcomes and effects or that further promote sound regulation and resilient markets.

We have studied this issue at length. We have had four studies on this topic. We don't need another. We just need action. And I would encourage either the acting chairman or the next permanent chairman to bring that before us.

But, again, my compliments to Acting Chairman Benham; Alicia; and you, Nadia, for a great meeting today. Thank you.

MS. LEWIS: Thank you, Commissioner Quintenz.

Chairman Benham?

ACTING CHAIR BEHNAM: Thanks, Alicia. And, first and foremost, Alicia, I want to thank you for your leadership.

A really wonderful day and one that took weeks and weeks and even months to prepare for. As the members know, we initially planned to meet in December, but because of the thoughtful work around a few of the subcommittees and because of some of the challenges of finding consensus, which is okay, which is right, which is the appropriate I think strategy, we decided to hold off until today so that we could put forth a lot of really fantastic work and ideas that the Commission will consider in the future.

So, Alicia, thank you to you. And especially with respect to that final panel, that was tremendous; as I think my colleagues pointed out, I think the sort of first of its kind for us as an agency and one I think within the context of an advisory committee that both helped support ideas and advise not only the Commission but also the other MRAC members. So, it was really great to hear from Sacha and Keisha, Yemi, and Leslie and Erika as well and their expertise. So, Alicia, thanks to you for putting them together; Nadia, for asking great questions and moderating a fantastic panel.

And to the others all day, it is been a long day. So, I will wrap up shortly but Tom Wipf; Bob Litterman; Lisa; and Stephen; and, of course, Lee and Alicia, for all the great work. Many of you know the amount of work because you are on the subcommittees, but for those who are watching, these individuals as co-chairs and the subcommittee members have devoted and committed hundreds and hundreds of hours to come up with these policy ideas, to find consensus, to work through differences.

And there is still more work to be done. As we heard from a lot of members, as I pointed out in my opening statement, whether it is around CCP risk or market structure or climate; and certainly the LIBOR transition; and, of course, DE&I, we have more work to do. I certainly will do my part as acting chair now working with my colleagues to ensure that we continue to work towards finding solutions, resolutions, and consensus on these issues.

Markets evolve constantly. We see market dynamics change frequently. And as a market regulator, we need to address these changes and move quickly and engage both with stakeholders here within the advisory committee but all market participants.

So, thanks again to everyone. We will look forward to the next meeting later this year, to be determined at this point, but we will regroup in the next couple/few weeks and think about future plans for the committee and the work to be done. But I know we do have a few workstreams within some of the advisory committees that have work to complete.

And then a special thanks to Commissioner Berkovitz; Stump; and, of course, Commissioner Quintenz for your participation and sacrificing the day, which I think hopefully bore some fruit because it was a great discussion. We enjoy working with each other, as always, but also learning from each other in what we prioritize and what we care about within the context of our own advisory committee. So, as much as I appreciate and am grateful for their support, I am always happy to support them and the work they do within their own advisory committee.

So be well to everyone. Stay safe. Hopefully, we can look forward to maybe seeing each other soon, maybe at the end of the year or at some point in the future, but in the meantime be well. And we are here and available if any issues pop up.

And I will hand it back to you, Alicia. Thanks again.

MS. LEWIS: Thank you, Chairman Behnam.

I want to thank everyone for attending today's meeting and being so engaged. This meeting is adjourned. Thank you.

(Whereupon, at 2:21 p.m., the meeting was adjourned.)