THE FOUNDATION FOR SECURE MARKETS®

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Via Electronic Submission

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CPMI Secretariat (cpmi@bis.org)
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Re: BCBS-CPMI-IOSCO Consultative report, *Transparency and responsiveness of initial margin in centrally cleared markets*

The Options Clearing Corporation ("OCC") appreciates the opportunity to provide comments on the BCBS-CPMI-IOSCO (collectively, the Joint Working Group on Margin, or "JWGM") Consultative report, *Transparency and responsiveness of initial margin in centrally cleared markets – review and policy proposals*[1] (the "Report"). As a systemically important central counterparty ("CCP") and the sole US CCP for listed equity options, OCC is pleased to participate in the ongoing dialogue between CCPs, clearing members, end users, and international standard setting bodies on optimizing margin transparency in cleared markets.

About OCC

Founded in 1973, OCC is the world's largest equity clearing organization. OCC operates under the jurisdiction of both the Securities Exchange Commission ("SEC") and the Commodity Futures Trading Commission ("CFTC"). As a registered clearing agency under the SEC's jurisdiction, OCC is the sole clearing agency for equity options listed on national securities exchanges. As a registered Subpart C DCO under the CFTC's jurisdiction, OCC clears and settles transactions in futures and options on futures. OCC also provides central counterparty clearing and settlement services for securities lending transactions. In addition, OCC has been designated by the Financial Stability Oversight Council as a systemically important financial market utility ("SIFMU") under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a SIFMU, OCC is subject to prudential regulation by the Board of Governors of the Federal Reserve System. OCC is recognized by the European Securities and Markets Authority as a Tier 1 third-country CCP under Article 25 of the European Market Infrastructure Regulation ("EMIR"). OCC operates as a market utility and is owned by five exchanges.

Response to the Report

As a member of CCP Global ("CCPG") and the World Federation of Exchanges ("WFE"), OCC participated in preparing the responses to the Report found in the letters submitted by those organizations. OCC broadly adopts the positions set forth in those letters and submits this letter to provide additional responses based on OCC's perspective given its unique characteristics and interests in the subject of the Report. Therefore, the responses below should be read as supplementary to the responses in the CCPG and WFE letters.

[1] BCBS-CPMI-IOSCO, Consultative report on Transparency and responsiveness of initial margin in centrally cleared markets – review and policy proposals (January 2024), available at Link.

General questions

1. **Collectively, if adopted, would the set of proposals likely result in increased transparency and a mitigation of destabilising changes in margin requirements in centrally cleared markets? Please identify within the set of proposals any which would be particularly beneficial and others which may be less beneficial (e.g. where the costs may substantially exceed the benefits). Please provide an explanation to your answer.**

OCC supports continuing the constructive dialogue on balancing additional transparency in initial margin ("IM") models and model responsiveness, on the one hand, with the costs, burdens, and utility of additional prescriptive requirements. OCC believes optimal transparency levels may be dynamic and should reflect the feasibility and usefulness of the disclosures and reporting in the context of the business of a given CCP, its clearing members, and the markets it serves.

Overall, the proposals in the Report contemplate significant and costly increases to existing reporting requirements without sufficiently accounting for the likely scale of uptake for the information, the marginal utility of that information to many clearing members and end-users, and the potential impact on CCPs' actual or perceived ability to adjust margin requirements to respond to fast moving market developments. We believe these concerns were identified by CCP respondents to the survey of CCPs that was reported out by the JWGM in 2023 ("2022 CCP Survey"),[2] but, while discussed in the Report, were not adequately reflected in the proposals. We urge the JWGM to fully consider the input that has already been provided, as well as the responses to the Report, as they consider any final action in this area.

OCC, like many of the CCPs whose views are reflected in the 2022 CCP Survey, already endeavours to provide a high level of transparency concerning its margin model components, including anti-procyclicality ("APC") tools, to members and other stakeholders, including, importantly, its regulators. In addition to its public quantitative disclosures ("PQDs"), OCC provides a margin simulation tool to members and, upon request, their customers; publishes a detailed public description of its overall margin methodology and gives members access to highly detailed technical white papers describing specific components of its methodology; and makes public filings with its regulators describing proposed margin methodology changes. Moreover, OCC engages in bilateral meetings with clearing members, and multilateral meetings, such as OCC's Financial Risk Advisory Council meetings (which includes clearing members, exchanges and certain clients), to provide further explanation and obtain feedback on the various aspects of OCC's models and any proposed changes well before they are implemented. Through these measures, OCC's members and regulators have access to a wealth of information about OCC's margin models and their behaviour across scenarios, as well as descriptions of OCC's procedures governing its use of discretion to modify margin requirements.

OCC has observed that a limited number of members and end-users access the full scope of the information that OCC makes available, as described above, particularly the margin simulator. To the extent the goal of the JWGM is to enhance the liquidity preparedness of market participants, instead

[2] See BCBS-CPMI-IOSCO, Margin dynamics in centrally cleared commodities markets in 2022, May 2023 (the "2023 Report"); available on the BIS website (www.bis.org/bcbs/publ/d550.htm) and the IOSCO website (www.iosco.org/library/pubdocs/pdf/IOSCOPD735.pdf).

of increasing prescriptive reporting requirements for CCPs, there may be additional opportunities through education and engagement to ensure that existing tools and disclosures are fully incorporated into the planning and assessment processes of market participants.

In light of the low levels of utilization of existing information sources, such as the margin simulators, OCC questions the need to disclose, especially in broad-based public disclosures, additional high-level information, as that would provide little additional visibility into portfolio-specific future margin requirements. By way of example, the value of a standardized measure of margin responsiveness is questionable in light of the myriad relevant, excluded variables (as discussed below and in the CCPG and WFE letters), as well as the potential for it to be misleading without further qualitative explanation for market participants. Similarly, the proposed daily PQD reporting and additional proposed metrics would do little to enhance the ability of sophisticated market participants to calibrate portfolio-specific liquidity impacts, but would rather require significant investment of time and resources from CCPs.

This same concern applies to proposals 3 and 4, concerning public disclosure of margin documentation, technical details of CCPs' models, and the functioning of APC tools. OCC is strongly supportive of appropriate transparency in this regard, and makes available both thematic and technical documentation to market participants, while even more detailed margin methodology is provided to regulators. However, prescriptive requirements for the level of detail required in documentation available to members and end-users should allow for sufficiently high-level descriptions that each model calibration (a daily or monthly process, depending on the relevant parameter) does not require a full replacement of the materials previously provided to market participants, which would be expensive and time-consuming.

Ultimately, OCC believes that there are diminishing returns for tools that are operationally and technically complex and, by necessity, only provide - at best - directional guidance. By way of illustration, OCC recently filed with its primary regulator, the SEC, a set of proposed changes to its margin policy to codify certain processes for adjusting model parameters during periods of high volatility with the goal of mitigating the procyclicality of the model's operations in those conditions.[3] This is similar to the process reported by a majority of CCPs in response to the 2022 CCP Survey, as discussed on p. 17 of the Report. While those changes would define certain thresholds for the identification of periods of high market volatility that might lead to adjustment to certain margin model parameters, the process for implementing and terminating high-volatility specific control settings would include discretion to be applied pursuant to a defined escalation and approval procedure. OCC believes the disclosure of its policy changes – and the governance procedures its describes – provides appropriate transparency and predictability to members, end-users, and regulators, while still permitting OCC to exercise necessary discretion to calibrate its model to account for increased risk to both OCC and the broader financial system in times of elevated volatility. For that same reason, OCC does not and cannot provide portfolio-specific details about how it may respond to a future scenario that may not resemble one that has occurred in the past. The proposals for daily PQD reporting, which are by nature backward looking, and for more detailed public disclosure of margin parameters would not change that fact. OCC agrees that

[3] *See* Notice of Filing of Proposed Rule Change by The Options Clearing Corporation Concerning Its Process for Adjusting Certain Parameters in Its Proprietary System for Calculating Margin Requirements During Periods When the Products It Clears and the Markets It Serves Experience High Volatility, Release No. 34-99393, File No. SR-OCC-2024-001 (Jan. 19, 2024), *available at* Link.

descriptions of the conditions under which discretion will be applied may be helpful, but urges the JWGM to recognize that such descriptions must be balanced with CCPs' responsibility to react to market conditions and ensure they are appropriately resourced in light of prevailing market conditions.

OCC concurs with CCPG that CCPs have worked constructively and continuously with trade groups, such as FIA and SIFMA AMG representing clearing members, to enhance transparency and optimize disclosure to be useful for market participants while remaining operationally feasible for CCPs. As an alternative to the proposals in the Report, the JWGM should consider and defer to that collaborative work, and encourage similar collaborations beyond the current work on the PQDs, rather than impose prescriptive requirements applying across the wide range of CCPs in disparate markets.

2. **Are there any aspects of margining practices in centrally cleared markets that have not been adequately covered by the set of proposals and which could positively contribute to achieving the Margin Group's objectives?**

OCC believes the proposals are more than sufficient and, as described above and in the CCPG and WFE letters, would, in combination with existing disclosures and tools available to clearing members and end-users, go beyond what is necessary and helpful to stakeholders and do not enhance understanding of margin responsiveness and promote liquidity preparedness.

3. **Many of the proposals recommend that a market participant group (e.g. all CCPs, all CMs etc.) be required to provide enhanced disclosure or adopt a new practice. Should the principle of proportionality, with requirements dependent on participant size or type, be used in determining how different firms apply the proposals? If so, in what ways? Please specify the proposal(s) in your response.**

To the extent that there are additional disclosures required from clearing members, OCC believes all clearing members should ultimately be required to make such disclosures, given appropriate time to implement the necessary processes.

4. **Are there cases in the proposals where there could be an effect on bilateral market margining? If so, what are the factors or instances that should be taken into consideration to ensure that proposals for cleared markets do not negatively affect dynamics within other markets?**

The JWGM's policy focus in this consultation should be on determining the level of transparency appropriate to cleared markets, in light of the feedback from CCPs, clearing members, and end-users to the proposals in the Report. In doing so, OCC urges the JWGM to be cognizant of the significant steps that have been taken to move trading into cleared markets since the 2008 Financial Crisis, and to take care when considering new policies that they continue to support and encourage the use of centrally cleared markets. OCC believes the existing level of margin transparency in cleared markets is significantly greater than in non-centrally cleared markets, while opportunity exists to improve transparency in bilateral and OTC markets. Greater information flow concerning non-centrally cleared exposures would benefit market participants, regulators, and CCPs alike by allowing for broader insights into risks and risk management practices, and should be a priority for the JWGM moving forward.

<u>Proposal-specific questions</u>

5. **Proposals 1 and 2 recommend that margin simulation tools be made available by all CCPs to all CMs and clients, with enhanced functionality.**

   a. **Are there certain modes of access to CCP simulation tools which are less costly or more effective?**

OCC supports providing CCPs flexibility to determine the most efficient means of providing access to simulation tools for their members. In light of the increased availability and use of third-party and in-house risk management tools that can account for exposures across CCPs, OCC recognizes that an API connection provides significant flexibility for users and is in the process of making such a connection available to members.

   b. **Are there any impediments to making simulators available to clients? To what extent could these impediments be mitigated or resolved, eg by changing the mode of providing access to tools, or how clients request access to tools? Does this depend on the format of CCP tool (eg the use of cloud technology, the use of APIs, etc)?**

As a CCP, OCC has direct relationships with its clearing members. Those relationships are subject to OCC's rules. OCC makes margin simulation tools available to members subject to the terms of the existing relationship with those members. OCC also makes those same simulation tools available to end-users upon request and the execution of an appropriate non-disclosure agreement, while also providing a tool for estimating certain portfolio-level margin charges. Nevertheless, OCC, which has over 100 members through whom hundreds of thousands of end users clear trades, has observed that the population of end-users seeking such tools is limited. End-users margin requirements are ultimately set by the clearing member through whom the end-user clears, and those end-users may clear trades across multiple CCPs as well, which could limit the utility of a single-CCP simulation tool. Furthermore, given the role of clearing members in setting margin requirements for end-users, overreliance on CCP-provided margin simulators by end-users could create a false sense of confidence in end-users when anticipating liquidity needs. Therefore, OCC encourages the JWGM to consider these costs in connection with the proposal to require CCPs make simulation tools "available. . . to all clearing members . . . and their clients," and incorporate into any final recommendation flexibility for CCPs to work with their members and end-users to define appropriate conditions for accessibility in light of demand and burden.

   c. **Are there any reasons why the proposed historical and hypothetical scenarios to be provided as part of the simulator tool suite should differ from the CCP's current set of extreme but plausible stress test scenarios? In addition, would there be additional value in allowing users to customise their own scenarios within the simulator tool? If so, what types of customisation would be of most value?**

OCC believes providing historical scenarios for simulation of base margin model performance against a member or end-user's actual portfolio is technically feasible. The value of such a simulation, however, is questionable in light of the limitations on the simulator response, such as the exclusion of member-specific add-ons, as detailed in the response to Question 5.d, below.

Functionality to simulate user-chosen hypothetical scenarios poses additional, significant technical challenges, the costs and burdens of which (including both initial development and ongoing maintenance) are not justified. This is particularly true given the added complexity of using such functionality which could decrease already limited user uptake of available simulation tools. Moreover, hypothetical scenario simulation is inherently forward-looking and would be based on unreliable predictions of future market conditions and other inputs. OCC does not see the liquidity-planning value for market participants in such speculative tools, and is concerned that overreliance on such tools could increase liquidity risk by providing a false sense of confidence.

d. Are there any elements of the initial margin calculation (eg add-ons) which would be difficult to incorporate into a standardised simulation tool? If so, what are the relevant challenges?

OCC's primary concern with proposal 2 in the Report is the recommendation that margin simulation tools include functionality to calculate margin requirements under varying historical and hypothetical market conditions, for both current and hypothetical portfolios. There are significant technical challenges to building these capabilities, in particular the ability to model any hypothetical market conditions, given the complex interplay of price movements and volatility across markets. In addition, while providing the ability to assess the potential model impact of certain agreed-upon scenarios (as discussed in the CCPG letter) may be feasible, even that functionality will by necessity only produce an estimate with a number of caveats and subject to issues such as discontinuities in product availability (e.g., the inclusion of a product in a hypothetical portfolio that did not exist at the time of a particular scenario) and the choice of baseline.

As noted above, OCC has observed a limited number of market participants using the simulation tools it provides already. Given the availability to clearing members of OCC's technical model documentation, the cost and technical challenges involved in developing the hypothetical and historical functionalities, and the existence of sophisticated third-party tools for developing forward-looking margin projections, OCC does not believe the benefits of proposal 2(a) would outweigh the burdens or bring meaningful additional *actionable* information to the market.

With respect to proposal 2(b), we believe it is reasonable to develop a simulator, as OCC has, that includes add-on charges at the portfolio level. It is difficult, however, to incorporate all add-on charges, including those that are levied at the clearing member level, which reside in a single-tier account (such as, in OCC's case, add-ons related to member participation in OCC's Extended Trading Hours program). Add-ons are dependent on variables that may be dynamic and are not captured in the application of the model to a single portfolio. We note that the existence, purpose, and high-level functioning of these add-ons are described in OCC's margin documentation made available to members and regulators.

6. **Proposal 5 recommends a set of changes to the PQDs, further detailed in Table 5 of the report.**

   a. **With reference to Table 5, would the proposed additional data breakdowns and increased frequency of reporting facilitate market participants' understanding of the margin system?**

   OCC believes the proposal to require product-level backtesting reporting in line item 6.5 may be inconsistent with existing backtesting reporting. OCC calculates member margin on a net portfolio basis in omnibus accounts, and therefore could not report backtesting results on a product-level basis. Moreover, product-level results would in any event not be meaningful for understanding OCC's margin system given the portfolio-level margin calculation, which is calculated after netting has occurred. More broadly, OCC does not believe the proposed daily PQD reporting would provide any additional, meaningful insight to market participants to assist them with understanding margin model responsiveness and liquidity preparedness. It would, however, be extremely burdensome to CCPs, requiring significant investment of resources to develop reporting processes and conduct management reviews to meet the daily reporting turnaround. As discussed above, beyond the detailed daily reporting of their own margin requirements, clearing members have a variety of means of understanding the functioning of OCC's margin model, from margin model documentation to simulators to the existing PQD reporting. The proposed incremental PQD information would not add meaningfully to those sources in terms of supporting liquidity preparedness.

   While OCC believes quarterly reporting with a two-month lag continues to be the appropriate frequency for the PQDs, there may be opportunities to enhance those disclosures by having CCPs include, for instance, the actual dates associated with quarterly margin peaks and maximum exceedances. That would provide additional context for existing disclosures, making them more decision-useful, while avoiding the burdens and drawbacks of the proposals in the Report.

   OCC further cautions that prior to adopting any recommendations for additional data breakdowns and increased frequency of reporting, the JWGM should consider the potential negative effects of such expanded disclosures by CCPs. For example, more frequent and detailed disclosure creates the potential for information leakage on particular entities' concentration of risk at specific CCPs. Should market participants feel at risk of disclosing sensitive, proprietary information, they may be disincentivized to participate in cleared markets.

   b. **Would there be any challenges in providing the additional data breakdowns or higher reporting frequencies? If so, are there alternatives that would be equally effective? For instance, are there alternative modes of more frequent public disclosures that would achieve a similar goal but result in reduced burdens on CCPs?**

   OCC utilizes a large-scale Monte Carlo-based margin methodology called the System for Theoretical Analysis and Numerical Simulations, or STANS.[sm] STANS calculates initial margin on a portfolio basis, as well as applying add-ons to address certain idiosyncratic risks.

Product-level backtesting, as proposed to be included in a revised item 6.5, is inconsistent with a portfolio-based model such as STANS, and therefore is both infeasible from OCC's perspective and would not provide useful information to stakeholders. A potential alternative measure to consider would be to report backtesting results both with and without subsequent add-ons, though the utility of such data may be limited.

With respect to the frequency of reporting, as discussed above, OCC believes it would be burdensome in terms of time and resources, and would not provide benefits to justify such costs. As discussed above and further in the CCPG letter, CCPs have worked and continue to work extensively and collaboratively with industry groups (SIFMA AMG and FIA) representing clearing members, and the JWGM should defer to industry participants' ongoing workstreams rather than imposing new, prescriptive PQD requirements.

c. **Are there any additional amendments to the PQDs, beyond those set out in Table 5, that would help market participants and stakeholders understand or anticipate changes in margin requirements? What would this information be, and how could this information be effectively incorporated into the PQD framework? For instance, would there be value in including additional non-quantitative information in the PQDs related to margin changes?**

From OCC's perspective, the purpose of the PQDs is to help market participants and stakeholders understand the risks posed by CCPs and risk management ability of CCPs, not to assist market participants to understand or anticipate changes in member-specific margin requirements. As described above, OCC makes available significant information on its margin model and its responsiveness through other avenues.

d. **Are there any examples of current public disclosures by one or more CCPs which could be used as a guide for improved transparency?**

OCC believes CCPs are currently following existing PQD requirements, which are already sufficient and adequate. To the extent additional disclosure of similar metrics is sought by market participants, the JWGM should defer to the ongoing, collaborative workstreams involving CCPs and SIFMA and FIA, as described in the CCPG letter.

7. **Please review the analytical annex detailing the proposed design of a margin responsiveness metric, as described in Proposal 6.**

   a. **Is the proposed method for measuring margin responsiveness (ie a large call metric), alongside the associated change in volatility, an informative way of measuring responsiveness? If not, what alternative approach or methodology should be used, and why would that alternate approach better aid market participants in their liquidity planning?**

While, conceptually, the proposed large call metric for measuring margin responsiveness in general could be a way of measuring margin responsiveness under certain conditions, there are inherent challenges and drawbacks in applying the proposed methodology in practice as the effectiveness of the method relies on the choice of input parameters. OCC refers the JWGM to the detailed discussion of those challenges in the WFE letter.

OCC would also like to emphasize its view that any standardized responsiveness metric should not be subject to a public disclosure requirement. Instead, if the proposed measure (or an alternative) is adopted, it should be provided by CCPs to their regulators and, upon request, to clearing members. The measure would not be meaningful or useful to a broad-based audience and, lacking context, would be subject to misinterpretation. Such a measure would not be appropriate for use as a liquidity preparedness tool, particularly given differences in CCP margin models functioning across different products and markets.

b. For each parameter input for the responsiveness and volatility risk metrics, please select your preferred choice from the list below or provide an alternative option. Please provide an explanation and any supporting evidence for your choice.

As noted above, OCC has significant concerns about the proposal for the use of a standardized measure of margin responsiveness and urges the JWGM to strongly consider the comments provided by CCPG, WFE, and other commenters against adopting any such measure.

We have no specific comments on the parameters **(b)(i)-(ii), (iv)-(v)**

iii. Product vs portfolio reporting: Product, static portfolio or dynamic portfolio. If supporting product-level reporting, please provide information on which products should be reported by the CCPs. If supporting static and/or dynamic portfolio reporting, please provide information on how the portfolios should be determined and an explanation for how that one portfolio would be representative of clearing activity at the CCP.

If a standard metric were to be adopted, OCC believes that the use of a static portfolio provides more flexibility to monitor the margin responsiveness at different levels. The types of static portfolios that could be considered include: (1) fixed set of key representative products; (2) synthetic static portfolios, e.g., for a CCP that mainly clears equity derivatives, portfolio positions that are determined by fixed risk profiles, such as options with synthetic strikes and time-to-expirations; or (3) real static portfolios, e.g., portfolio positions determined by representative clearing member account positions at a given point in time. The synthetic static portfolio provides information on the margin responsiveness at the product level, while the real static portfolio would be representative of clearing activity of clearing members at the CCP.

c. Are there other parameters where calibration decisions are necessary for consistent disclosure of either margin responsiveness or market volatility?

No comment.

d. Do you foresee any challenges in the development and use of the proposed metric? For instance, are there challenges in applying a harmonised choice of parameter inputs across all CCPs and all products?

No comment.

8. Proposal 7 recommends that CCPs identify and define an analytical framework for assessing margin responsiveness within the broader context of margin coverage and cost.

a. Are there other important balancing factors which should be taken into consideration when evaluating the performance of initial margin models?

While OCC's margin model, STANS, is responsive to the joint behaviors of the risk factors affecting values of Clearing Member accounts in its own right, OCC does maintain governance to monitor the performance of STANS to react to both under-responsiveness and over-responsiveness to changes in the market. It is important to note that when OCC does make edits to address model responsiveness, the edits are not to end margin results (except in rare cases of an operational issue), but rather to the input parameters of its models. OCC agrees that defining an analytical and governance framework for parameter review is important and should be communicated with relevant authorities. However, OCC also cautions against being prescriptive in the actions that must be taken to address any triggered reviews, as each CCP will have unique governance characteristics and model management frameworks.

b. What elements of the "trade-off" framework would most help regulators to better understand how a CCP balances between important risk management factors? In what ways would this framework be useful in identifying cases where a review of the model by the CCP and/or the authority would be beneficial?

As discussed in the WFE and CCPG letters, CCP margin practices are built around minimum requirements for margin coverage, and the "trade-off" must be seen within the context of the necessity of ensuring that coverage is achieved. Regulators and standard setters should focus on ensuring that CCPs have defined and articulable means of evaluating margin model performance under a variety of conditions, as well as procedures for applying the lessons learned from those evaluations to their margining practices. As described above, OCC has detailed analytical and governance frameworks for addressing the potential procyclicality of its model in periods of high volatility. Regulators should assess not just periods of potentially high or lower margin coverage ratios, but also when and how CCPs engage these frameworks for evaluating their models and what the outcome is from those evaluations. OCC believes that this would be more effective and consistent with CCPs' minimum coverage mandates than prescriptive requirements for transparency that may serve to directly or indirectly restrict a CCP's ability calibrate its margin needs in times of stress.

9. Proposal 9 recommends a number of enhancements to CM-to-client transparency.

End-user margin obligations are ultimately set by clearing members, not the CCP. With respect to OCC, member margin is calculated on a net basis in omnibus accounts, and therefore direct visibility by clients into margin requirements at the CCP clearing member level would provide little insight for liquidity preparedness purposes. Clearing member-specific models, in turn, may include multipliers or add-ons that are distinct from those in the relevant CCP's models, which are likely of more salience to the clients. Increasing transparency from clearing members to end-users will enhance end-users' understanding of the sources of margin requirements and the functioning of clearing member margin calculations, and thereby be beneficial for facilitating end-user liquidity preparedness. OCC believes increased transparency from clearing members to end-users will provide the most immediate benefits given the high level of transparency that already exists from CCPs to clearing members.

9(a)-(e)

No comment.

10. Please review the list of example CM-to-CCP disclosures provided at the end of Section 4.3.2.

a. Would the information included in the proposed disclosures aid the CCP's own risk management processes? If not, is there alternative information which would be useful for CCPs to receive from members?

OCC supports enhancing transparency in reporting from clearing members to CCPs. The proposed disclosures would be useful when assessing the overall credit risk of a clearing member to know if that member has similar exposures at other CCPs. The information would allow OCC to estimate the type of market impact a default of its clearing members would have across the industry and would enhance CCPs' ability to incorporate systemic impacts into not only its margin modeling, but also, for example, its recovery and wind-down planning. Such data could also be useful for industry-wide coordination between CCPs to manage risks and defaults.

b. Is any of the information included in the proposal description either redundant or duplicative of information already available to the CCP, and thus of minimal value? Does any of the information included in the proposed disclosures differ by institution type?

The information included in the proposal is not generally available to CCPs.

c. Would collection of the information impinge upon current legal disclosure frameworks?

CCPs and members have arrangements in place governing the provision of potentially sensitive information by members to the CCP, and such arrangements could likely be amended to accommodate the proposed new disclosures.

d. Do any of the example disclosures potentially overlap with traditionally proprietary information?

No comment.

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We thank the BCBS, BIS, and IOSCO for the opportunity to provide comments on the Report. If you have any questions, please do not hesitate to contact Andrew Feller, Associate General Counsel, at 202.971.7238, or afeller@theocc.com. We look forward to continued engagement on these critical issues and stand ready to provide the JWGM with any additional information or analyses that would be helpful to its ongoing work.

Sincerely,

Megan Malone Cohen

Megan Malone Cohen
General Counsel and Corporate Secretary