



July 17, 2020

The Honorable Emmanuel Cleaver
U.S. House of Representatives
2335 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Cleaver:

The Futures Industry Association (FIA) and the International Swaps and Derivatives Association (ISDA) (together, the Associations) supports your efforts to grant all derivatives clearinghouse organizations (DCOs) registered with the CFTC and clearing agencies registered with the SEC (collectively CCPs) access to deposit accounts offered by the Federal Reserve because it is the safest and most liquid place to hold U.S. dollar client margin that is collected and paid on daily basis.

During times of stress and increased market volatility, access to deposit accounts for all CCPs will improve liquidity across the cleared derivatives ecosystem and reduce the interconnectedness of the central counterparties and banks. It will also protect customers and end-users using the derivatives markets to hedge risk.

The Treasury Department's October 2017 Report on Capital Markets identified Federal Reserve deposit account access for CCPs as an important systemic risk mitigation tool. Specifically, the report stated:

“The ability to deposit client margin at a Federal Reserve Bank is an important systemic risk mitigation tool. FMUs [financial market utilities] without such account access rely on a number of other alternatives for cash management, such as money market funds, repurchase agreements, and deposits at commercial banks. These private sources may be less reliable in times of market stress. Moreover, lack of access to a Federal Reserve Bank account means large amounts of U.S.-dollar margin may not be maximally safeguarded during times of market stress.¹”

Earlier this year, the cleared derivatives markets experienced record volatility related to the COVID-19 pandemic. While they remained resilient, your leadership in seeking a legislative solution to allow all CCPs access to deposit accounts offered by the Federal Reserve will help in times of future market stress. We hope Congress will consider including these reforms in a future COVID-19 package.

¹ <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf>

Thank you for your leadership in seeking to improve liquidity and customer protections across the cleared derivatives ecosystem. We hope you will continue to work with the CFTC and Federal Reserve to find a legislative solution that enhances safety and soundness of our financial markets.

Yours respectfully,

Walt L. Lukken



President & Chief Executive Office
FIA

Scott O'Malia



Chief Executive Officer
International Swaps and Derivatives Association, Inc.

cc: Chairwoman Maxine Waters, U.S. House Financial Services Committee
Ranking Member Patrick McHenry, U.S. House Financial Services Committee
Chairman Collin Peterson, U.S. House Agriculture Committee
Ranking Member Mike Conaway, U.S. House Agriculture Committee
Chairman David Scott, U.S. House Commodity Exchanges, Energy, and Credit Subcommittee
Ranking Member Austin Scott, U.S. House Commodity Exchanges, Energy, and Credit Subcommittee
Chairman Mike Crapo, U.S. Senate Committee on Banking, Housing, and Urban Affairs
Ranking Member Sherrod Brown, U.S. Senate Committee on Banking, Housing, and Urban Affairs
Chairman Pat Roberts, U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Ranking Member Debbie Stabenow, U.S. Senate Committee on Agriculture, Nutrition, and Forestry