



September 19, 2023

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) support 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”

The cleared derivatives markets experienced record volatility related to the COVID-19 pandemic and the Russian invasion of Ukraine. 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 reduce systemic risk and help in times of future market stress.

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.

Yours respectfully,

Walt L. Lukken

Handwritten signature of Walt L. Lukken in black ink.

President & Chief Executive Office
FIA

Scott O'Malia

Handwritten signature of Scott O'Malia in black ink.

Chief Executive Officer
International Swaps and Derivatives Association, Inc.