DTCC

LARRY E. THOMPSON
Managing Director and General Counsel

55 WATER STREET
NEW YORK, NY 10041-0099

TEL: 212 855 3240
CELL: 917 362 2574
FAX: 212 855 3279
lthompson@dtcc.com

www.dtcc.com

September 28, 2012

Committee on Payment and Settlement Systems
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland
cpss@bis.org

Board of the
International Organization of Securities Commissions
C/Oquendo 12
28006 Madrid
Spain
fmiresolution@iosco.org

Re: Comment on CPSS-IOSCO Consultative Report on Recovery and Resolution of Financial Market Infrastructures

Ladies and Gentleman:

The Depository Trust & Clearing Corporation ("DTCC") appreciates the opportunity to comment on the consultative report on "Recovery and resolution of financial market infrastructures" (the "Consultative Report") published by the Committee on Payment and Settlement Systems ("CPSS") and the Board of the International Organization of Securities Commissions ("IOSCO"). In addition, DTCC is pleased to respond to some of the questions posed by CPSS and IOSCO in their Consultative Report, and recognizes the significant efforts of CPSS and IOSCO in framing the issues with respect to effective recovery and resolution of financial market infrastructures ("FMIs").

DTCC is generally supportive of the Consultative Report and agrees with the underlying premise that the principles contained in the Financial Stability Board's *Key Attributes of Effective Resolution Regimes for Financial Institutions* (the "*Key Attributes*") are broadly applicable to the recovery and resolution of FMIs. However, in applying these principles, it is essential to recognize that FMIs are different from banks and many of the other financial companies for which the *Key Attributes* were originally developed and that there is significant diversity among FMIs. For these

reasons, DTCC recommends caution in seeking "a common interpretation" of the applicability of the *Key Attributes* to all types of FMIs, as suggested in Section 1.4. As the Consultative Report accurately notes, the array of FMI types and associated risk profiles makes it particularly challenging to develop a standard resolution legal framework suitable for all categories of FMIs. Therefore, DTCC believes that the better approach would be to develop broad principles governing FMI recovery and resolution that would guide FMIs and their regulators in developing tailored approaches applicable to specific FMIs that reflect their individual characteristics and risk profile.

Part I of this letter sets forth certain generalized principles for consideration with respect to the recovery and resolution of FMIs. Parts II through V of this letter respond to certain of the issues raised and specific questions asked in the Consultative Report.

I. Guiding Principles for FMI Recovery and Resolution

In applying the *Key Attributes* to FMIs, there are certain key considerations that should guide the development of approaches to recovery and resolution. First, as a result of the unique role played by FMIs, particularly in the case of FMIs whose operations may be systemically important, a principal goal of recovery and resolution must be the continuity of payment, clearance and settlement services and other essential FMI functions. This goal implies a number of other important considerations, including ensuring that steps taken for recovery and resolution do not interrupt the continued availability of liquidity, relying wherever possible on the FMI's pre-existing loss allocation and risk management practices, and maintaining nondiscriminatory treatment of participants (for example, such that losses are born in proportion to the risk participants pose to an FMI or some other fair and reasonable distribution methodology). Second, FMIs should retain primary responsibility to design and apply the rules for their individual recovery and to identify the most appropriate triggers for resolution, in discussion with their home regulators, based on an analysis of potential stress scenarios. Allocating this task principally to the FMIs to develop and apply these individualized rules is important given the diversity that exists among FMIs in their ownership, governance, loss allocation processes, and exposure to credit and other risks. Given this variety, and the fact that participants' own credit and risk management planning is premised on the FMI's loss allocation and other rules, continuity of operations can most effectively be maintained through continued application of those rules. Finally, it is important to distinguish between normal application of an FMI's loss allocation and recovery processes and a need for intervention by governmental resolution or regulatory authorities. Based on the above objectives, DTCC believes that it is key that the FMI, or, in extremis, the resolution or regulatory authorities, apply the normal loss allocation arrangements set forth in its rules and procedures so long as continued operation of the FMI is a goal of the resolution. Application of the FMI's

rules will facilitate continued operations because it conforms to the expectations of participants and the market and promotes sustained utilization of the FMI. Within the context of maintaining continuity of critical functions to avoid systemic contagion, therefore, departure from these rules is only warranted when normal functioning of the clearing, settlement or other key functions of the FMI cannot otherwise be maintained.

The *Key Attributes* necessarily are intended for broad application against various resolution regimes and financial institutions, including FMIs. However, with respect to FMIs, as recognized in the Consultative Report, a one-size-fits-all resolution regime simply is unworkable. Even within the DTCC corporate structure (*i.e.*, a participant-owned holding company with FMI subsidiaries), as CPSS and IOSCO are aware, the DTCC subsidiaries include a range of FMIs both in the United States and in Europe, including systemically important central counterparties, securities settlement systems, and central securities depository, as well as several trade repositories.[1] These FMIs provide different global services and products, have diverse governance and/or ownership structures, and employ varied risk management arrangements. Therefore, a principle-based approach, as in the *Key Attributes*, is even more essential for FMIs than for other financial institutions. DTCC recommends that CPSS and IOSCO focus efforts on compiling an extensive set of discretionary FMI resolution powers (a resolution "tool box") that may be used consistent with the primary goals of continuity and adherence to an FMI's loss allocation rules wherever possible. The resolution "tools" could then be available for tailored implementation by national regulators as appropriate for a particular FMI in a specific stress circumstance. The availability of a resolution option in each instance could be further limited by certain defined, but general, principles with respect to avoiding systemic contagion and costs to taxpayers.

This approach and the guiding principles above serve as the primary focus for DTCC's responses in this letter to the issues and questions set forth in the Consultative Report. All comments herein are intended to support and adhere to these principal objectives.

II. Relationship and continuity between the Key Attributes and the Principles

---

[1] DTCC operates a number of swaps data repositories both on a local and on a global basis.

A. Activation and enforcement of recovery authority (Section 2.6).

As set forth in the April 2012 CPSS-IOSCO *Principles for financial market infrastructures* (the "*Principles*") and in Sections 2.2 and 2.3 of the Consultative Report, FMIs have primary responsibility for developing and discharging their own recovery plans. But the Consultative Report also suggests in Section 2.6 that "the relevant authorities should have the necessary powers to require implementation of recovery measures and drive optimal execution" if an FMI's own execution of its recovery plan were "suboptimal" for any reason. The triggers for involvement of relevant authorities in the recovery of an FMI should be developed by the FMI in consultation with regulators.

In the view of DTCC, the most effective role for relevant governmental authorities in an FMI's recovery is to allow the FMI to implement its internal recovery plan and, where essential, to assist the FMI in doing so. During the recovery phase, the overarching goal must be continuity of normal operations if the FMI is going to avoid insolvency or resolution. Accordingly, the FMI is best situated to identify the appropriate recovery measures and triggers for intervention, if needed, by governmental authorities. This should be done through consideration of realistic potential scenarios that could affect the FMI's ability to continue as a going concern. FMIs are required by the *Principles* (see *Principle 3*) to conduct scenario-based assessments as part of developing a recovery plan. The scenario planning exercises reflect the specific characteristics of an FMI, *e.g.*, the FMI's business, product complexity, markets served, ownership structure, credit and other risk exposure, liquidity resources, interconnections and interdependencies with other FMIs as well as FMI participants, substitutability with other FMIs, potential stress events, existing contingency plans and loss allocation rules and procedures. Accordingly, any definable triggers for regulator involvement should be determined by the FMIs, in discussion with home regulator(s), and founded in the outcomes of such analysis. In identifying such triggers, an FMI might communicate with participants or other select third parties as it reasonably determines to be relevant for effective recovery planning.

Therefore, we recommend that FMIs have primary responsibility, in communication with their home regulators, to develop qualitative scenario-based indicators for involvement by relevant governmental authorities in an FMI's recovery.

B. Triggers for resolution (Sections 2.8, 3.18, 4.5).

Section 3.18 of the Consultative Report asks "[w]hat qualitative or quantitative indicators of non-viability should be used in determining the trigger for resolution for different types of FMI?"

DTCC believes that qualitative indicators are most appropriate for determining when to resolve FMIs. As described above, the diversity of FMIs and the variety of risk management techniques used, even within groups of FMIs that fulfill similar market functions, make it difficult to identify a useful and generally applicable quantitative indicator of non-viability. On the other hand, DTCC recognizes the value of setting a clear legal standard for predictable and reasonable application by resolution authorities. Accordingly, DTCC recommends that qualitative indicators of non-viability similar to those utilized in other statutory resolution regimes to provide for entry into resolution, such as the inability to meet current obligations or transact current business, are most appropriate. The key consideration remains whether the FMI can continue to fulfill its normal functioning for participants. These factors similarly suggest that qualitative indicators should be developed by the regulators in close consultation with the FMI and based on a realistic scenario analysis to provide participants and regulators with some expectation of consistent application, while preserving a degree of judgment at the time of potential resolution. This flexibility allows the resolution authority, with FMI input, to evaluate the timeliness and necessity of initiating a resolution, or exercising a particular resolution power, against the potential market-wide implications.

C. Resolution planning (Section 2.9).

Resolution planning is inherently a collaborative process because financial companies, such as banks and FMIs, have unique insights into their risks and operations, while governmental resolution authorities have specific knowledge about preferred strategies and systemic risk mitigants. Section 2.9 of the Consultative Report, however, suggests that resolution authorities are only required to review the resolution plans with an FMI "to the extent necessary" and could elect not to disclose all or any part of the plans to an FMI. DTCC strongly recommends that, wherever possible, resolution plans should be developed in communication with the FMI. The asymmetries in understanding of an FMI's risks and operational characteristics are too significant to do otherwise. Limited disclosure is highly likely to seriously compromise resolution planning, particularly for systemically significant FMIs. Therefore, to ensure that any resolution plan – whether developed by an FMI or regulators – will be realistic and consistent with the FMI guiding principles of continuity of services and deference to loss allocation rules, an open dialogue between an FMI and its regulators is crucial to the planning process.

Similarly, any FMI recovery or resolution plan also must take into consideration the recovery and resolution plans of its largest participants. This is reflected in the *Principles 4* requirement that central counterparties ("CCPs") be capable of managing the default of their largest participants and their affiliates in extreme but plausible market conditions.

Financial or other distress for FMI participants that are globally systemically important financial institutions ("G-SIFIs") will affect the FMI both directly as well as indirectly through 'feedback loops' that will impact other participants. In addition, distress of a G-SIFI likely will affect the FMI as well as multiple other FMIs through the several capacities in which the G-SIFI acts in the markets (*e.g.*, as participant, settling bank or clearing services provider). Under the Financial Stability Board's *Key Attributes* and accompanying work streams, G-SIFIs have themselves been engaged in comprehensive recovery and resolution planning. The G-SIFI planning necessarily includes assumptions and approaches regarding anticipated interactions with the FMIs as well as responses designed to maintain stability for the G-SIFI. Given the impact that the G-SIFI's plans would have on affected FMIs, it is vital that FMI planning incorporate communication with G-SIFIs to ensure that both sets of plans are realistic and limit contradictions.

III. Recovery and resolution approaches for different types of FMI

A. <u>FMIs that do not take/take on credit risk (Section 3).</u>

The legal and financial certainty provided by a well-defined resolution framework must be balanced against the risk of being overly prescriptive given the extraordinary variety of types of FMIs and issues they face. The Consultative Report correctly highlights in <u>Section 3</u> the relevant distinction in resolution planning between FMIs that take on credit risk and those that do not. DTCC generally concurs with the CPSS-IOSCO goal of clarifying the resolution regimes applicable to different categories of FMIs. However, while this fundamental distinction may inform the ultimate choice by a resolution authority to exercise a resolution power in a particular circumstance, DTCC does not believe that this classification should serve as a basis to generally limit the availability of any particular tools or strategies. Instead, as suggested above, DTCC believes that resolution authorities should have available at their disposal a broad tool box of general resolution powers designed to preserve clearing and settlement functions while avoiding taxpayer losses, along with flexibility to exercise one or more of such resolution powers according to the demands of the particular situation and FMI using its reasonable and appropriate discretion at the relevant time.

B. <u>Loss Allocation supported by statutory powers (Sections 3.15 – 3.18).</u>

DTCC believes that FMIs should retain maximum flexibility to pre-determine their own risk management and loss allocation arrangements, customized to address their specific structural and risk issues. <u>Section 3.16</u> of the Consultative Report states that "loss allocation supported by statutory powers is likely to be an essential tool if critical services are to

be continued. While an FMI's rules would remain the starting point for such loss allocation, loss allocation may need to go further than what is contemplated in these rules." As a general matter, DTCC believes that an FMI's rules should be the starting and end point for loss allocation – including whether loss allocation is through an imposition of losses or assessments on participants. Therefore, FMIs should be required to create rules that ensure comprehensive coverage of potential losses, to the extent predictable, aligned with the final CPSS-IOSCO principles.

Moreover, many FMIs already have in place extensive risk management arrangements, including rules for mutualization of losses based on participant type and contribution, and the specific characteristics of an FMI. FMI risk management arrangements are critical to containing potential contagion in a crisis because, in addition to strengthening the resiliency of the FMI, these arrangements provide a predictable framework for risk management planning by an FMI's participants. Similarly, FMI risk management arrangements help contain the spread of risk from one FMI to another by addressing those risks internally within the FMI rather than triggering broader settlement failures. As a result, adherence to these arrangements has an importance far beyond the particular FMI. Disregarding FMI rules can, in fact, have a broader systemic impact by extending the risks to FMI participants, as well as other financial market participants, and by eliminating the predictability upon which advance risk and crisis management planning is premised. Consequently, we strongly urge that, wherever possible, an FMI's loss allocation rules should be respected without statutory prescription.

In the same discussion, in Section 3.18, the Consultative Report specifically asks: "What loss allocation methods, if any, must be available to a resolution authority, and for which types of FMI? Could or should these resolution powers include tear-up, cash calls or a mandatory replenishment of default fund contributions by an FMI's direct participants?" The *Principles* (see *Principle 4*) require FMIs to provide for ex ante loss allocation rules, including for unanticipated losses in excess of prefunded financial resources for recovery from a participant default, and to maintain certain minimum additional financial resources to sufficiently cover specified stress scenarios. There may be loss scenarios for a particular FMI that may warrant application of any one or more of the measures suggested in the Consultative Report, but, as discussed above, an FMI should retain the flexibility to structure its own ex ante rules.[2]

---

[2] Note that the requirement for ex ante loss allocation rules, which derives from *Principle 4* (Credit Risk), key consideration 7, is not applicable to trade repositories.

In the event of a stress event resulting in the need to resolve an FMI, the resolution authority should have similar flexibility, while respecting the FMI's rules, to exercise the full range of resolution powers set forth in the *Key Attributes* based on the specific characteristics of the relevant FMI and subject to the key principles for resolution enumerated above. DTCC discourages any specific statutory standards that would dictate the loss allocation mechanisms or resolution powers that either must be included in an FMI's ex ante rules or applied by regulators upon the resolution of a particular type of FMI.[3]

On the other hand, it would be appropriate to state more general guidelines with respect to loss allocation for consideration by FMIs and regulators that are consistent with the key considerations identified in Part I of this letter.

C. Who should share in FMI losses?

Questions in Sections 3.18 and 3.21 of the Consultative Report raise fundamental issues as to who should share in FMI losses (owners, users, direct participants, indirect participants, creditors) and how to ensure that any such persons are legally bound to their share. As a general matter, DTCC believes that these questions are best addressed by the individual FMIs in the context of their specific organizational structures. To the extent a remaining loss exists after full implementation of an FMI's ex ante loss allocation rules, however unlikely, one approach is for the loss to be allocated under the normal, statutory insolvency priority schemes.

Regulators and FMIs, however, should consider the potential effect of the statutory priority scheme on FMI operational continuity and the risk of contagion. DTCC is concerned that application of the generally applicable statutory insolvency priority for distribution of losses, which is formulated to apply to broad categories of entities, may not best achieve the public policy goals stated in Part I above. Caution should be exercised in applying a "one size fits all" approach given the differences between FMIs and other entities and among categories of FMIs. For example, given the

3 There has been considerable industry discussion of potential approaches to allocation of losses after exhaustion of the resources available from the FMI's waterfall. Among the mechanisms discussed are selective tear-ups and haircutting the most recent mark-to-market gains by participants. Different approaches may work in some markets (for example tear-ups or m-t-m haircuts may work in swaps or derivatives markets) and not in others (such as high volume cash markets). As a result, DTCC believes that additional work is necessary before any judgment may be made on the comparative usefulness of the various alternatives for the specific markets of different categories of FMIs. Therefore, while DTCC does not feel that a specific mechanism should be mandated for inclusion in the loss allocation waterfall or in ex ante rules, it is reasonable for tear-ups and mark-to-market haircuts to be included in the general resolution tool box for judicious application by resolution authorities to the extent they can be used without further disruption to the market or taxpayer support.

importance of successful recovery measures and avoiding a potentially destabilizing resolution of an FMI, loss allocation standards should facilitate (and not disincent) the availability of liquidity during stress scenarios.

Similarly, the treatment of participants in any statutory loss allocation scheme should be carefully considered in advance. Given the dissimilarities between FMIs and other entities potentially subject to a statutory insolvency process, it may be appropriate in statutory insolvency schemes to treat FMI participants differently from general creditors. This may reduce the incentive for participant withdrawals during a crisis, help achieve improved resiliency by the FMI and avoid the spread of market instability. Outside of such differential treatment, and assuming the FMI's loss allocation procedures are exceeded, normal insolvency priorities would apply, including the general principle that no creditor should be worse off than it would be in a liquidation proceeding.

The Consultative Report specifically asked respondents to consider treatment of equity. In general, DTCC believes that the treatment of equity in FMIs in resolution scenarios, to the extent not already addressed by FMI rules, can be adequately dealt with through the normal rules and standards for corporate liability. Here too, it is important to consider how the insolvency rules would affect the operational continuity of FMIs with a variety of types of ownership and governance structures. For example, losses assessed against 'owners' may have a different effect on an FMI owned by its participants (such as the DTCC FMIs) compared to an FMI owned as a public stock company. In the former ownership structure, members will be absorbing losses in their roles as participants as well as in their roles as owners, and this may affect their willingness and ability to carry on as part of the FMI and, by extension, the resiliency of the FMI.

Consistent with the normal rules and standards for corporate liability, any owners' liability should be capped at the amount of original investment. There should be no requirement to 'top up' the equity from the original equity holders. Of course, where the losses have impaired the capitalization of the FMI, recapitalization will be necessary. This may be done by appealing to pre-existing equity holders or others or, as noted below, through a properly considered bail-in process within resolution.

Finally, Sections 3.19 and 3.20 of the Consultative Report raise the possibility of bail-in within resolution. DTCC supports the utilization of various resolution tools, such as a bail-in, if appropriate for a particular FMI. Any use of bail-in, however, as with other resolution "tools", should balance the goals of continuity of critical operations and services, while avoiding actions that may destabilize other FMIs or market participants. In this context, it is particularly important that bail-in not impose losses on liquidity providers or serve as a disincentive for liquidity

providers to continue to provide lines of credit (or other liquidity facilities) or for other service providers to continue to provide critical services.

IV. Important interpretations of the *Key Attributes* when applied to FMIs

A. Moratorium and stays on early termination rights based upon early entry into resolution (Sections 3.23, 4.6 – 4.8, 4.16 – 4.18).

Sections 4.6 – 4.8 of the Consultative Report inquire about the appropriateness in certain circumstances of a moratorium with a suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from an FMI in resolution. Sections 4.16 – 4.18 similarly raised questions regarding the power to stay the exercise of participants' termination rights as a result of the use of resolution powers.

DTCC supports the general concept of including a brief moratorium on insolvency-based triggers in financial contracts to permit a transfer to another solvent FMI or a bridge FMI. This must, of course, be coupled with resolution powers and supporting pre-planning to efficiently make prompt transfers and without material interruption of services. As suggested in the Consultative Report, any payment suspension by an FMI, even within the limits of *Key Attribute 3.2(xi)*, is likely incompatible with these overarching goals and likely to increase resolution costs and further stress liquidity issues. On the other hand, a brief moratorium on the termination or acceleration of contracts based on insolvency or the appointment of a receiver so as to allow a transfer to another FMI or a bridge FMI may be essential to maintaining the failing FMI's operations. In this circumstance, the moratorium preserves rather than undercuts continuity. Any broader stay, however, could impair the provision of payment, clearance and settlement services and potentially increase market disruption.

Some CCPs have default rules that provide for early termination rights by participants upon the CCP's default, after a significant grace period. Such rules were historically designed to provide for certain accounting and netting benefits upon close-out in the event of the CCP's insolvency. These rules also may contribute to the ability of a CCP to maintain a matched book, thereby supporting the continuation of the CCP's clearing and settlement services. Even in this context, where continuity is crucial to avoid potential systemic destabilization, a limited stay (*e.g.*, one business day) on such termination rights may, in fact, be essential to allow for a transfer of functions and trades to another FMI or a bridge FMI. In this context, a resolution regime that provides for a brief stay or moratorium to allow for such transfers, as with powers comparable to those in Title II of the

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), may be necessary.

B. Statutory management, administration or conservatorship (Sections 3.7, 4.9).

The Consultative Report addressed whether there are circumstances and types of FMI for which statutory management, administration or conservatorship offer an appropriate process within which to ensure a continuity of critical services. DTCC supports various types of resolution regimes that facilitate the Part I guiding principles. A conservatorship regime may be a viable option for safeguarding operational and system stability. Accordingly, while DTCC is reluctant to suggest that statutory management, administration or conservatorship be available to resolution authorities only in connection with certain types of FMI, as implied by the question in Section 3.7, it recommends that conservatorship or similar authority be included in the resolution tool box.

C. Transfer of critical functions to a solvent third party or a bridge institution (Sections 3.6, 3.22, 4.0 – 4.11).

Likewise, as noted above, DTCC favors the ability of a resolution authority to transfer all or certain functions or products of a defunct FMI to a solvent third-party institution, to the extent a substitute institution or alternate service provider exists, or to a new bridge institution. To be effective, the relevant power would have to be exercisable despite any contractual provisions barring transfer or, as discussed previously, triggering rights to accelerate or terminate the contracts upon insolvency or the appointment of a receiver. The effective exercise of this authority, however, is impossible without detailed prior preparation to identify and address the various potential obstacles to a quick transfer. For example, to maintain system continuity and avoid creating additional disorder in the trading markets, the regulators should consult with FMIs about necessary planning and arrangements to facilitate expedited or alternate licensing; third party or bridge institution operational capacity and hardware and software compatibility; incorporation of interoperabilities and maintenance of links between FMIs; establishment of communication channels with relevant authorities; and bridge FMI capitalization. Accordingly, while resolution powers such as those provided in the Dodd-Frank Act are critical to a successful transfer in a timely manner, DTCC emphasizes that the complexity of FMI licensing, loss mutualization, and operational and system issues will require detailed and thorough pre-planning in order to make any transfer effective in stemming systemic contagion.

D. Resolvability assessments (Sections 4.23 - 4.26).

Section 4.26 of the Consultative Report requests guidance on the factors authorities should consider in conducting a resolvability assessment of an FMI. Resolvability assessments should, of course, pay particular attention to identifying resolution scenarios that avoid the risks discussed in the guiding principles in Part I. Resolvability must be assessed within existing legal regimes and the range of resolution powers available to the resolution authority (which, as in the *Key Attributes*, should be broad). The appropriate factors for consideration include those noted previously in Part II.A. of this letter in connection with an FMI's scenario analysis. Finally, DTCC recommends that any resolvability assessment of an FMI include consultation with the FMI itself and, where appropriate, its participants, to ensure access to adequate and up-to-date information, including results of FMI stress simulations.

V. Cooperation and coordination among relevant authorities

As a final matter, the Consultative Report in Sections 2.10 and 5.1 to 5.5 stresses the importance of cooperation and coordination with "other relevant authorities." DTCC is supportive of detailed and thorough regulatory cooperation both among different domestic regulators as well as among regulators in different countries for resolution planning and execution. DTCC, however, is mindful of the challenges of coordinating responses of multiple regulatory authorities and wary of any delegation of an FMI's resolution away from its local regulator. As a result, DTCC supports ensuring that principal resolution responsibility remain with the home regulator of a particular FMI because this ensures that the regulator with the best information about that FMI retains this crucial responsibility. To achieve this goal, the optimal solution would be a treaty recognizing the home country regulator's paramount role in resolutions. This would provide the needed sound and enforceable legal foundation and facilitate coordination among regulators, and with the affected FMI. While a treaty may be difficult to achieve in the short or medium term, it should be the ultimate goal. In the interim, DTCC supports further dialogue among relevant regulators, in consultation with affected FMIs, to pursue greater clarity on responsibility and agreements providing for home country resolution.

* * * * *

We appreciate this opportunity to comment on the Consultative Report and your consideration of the views expressed in this letter. Many of these matters are complex, and we would welcome the opportunity to discuss the Consultative Report and our comments in this letter. If you have any questions or need further information, please contact me at lthompson@dtcc.com.

Sincerely,

Larry E. Thompson

Larry E. Thompson