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Ladies and Gentlemen:

The Depository Trust & Clearing Corporation ("DTCC") appreciates the opportunity to comment on the consultative report on "Public Quantitative Disclosure Standards for Central Counterparties" (the "Consultative Report"), and the proposed disclosure matrix ("Disclosure Matrix") for central counterparties ("CCPs") set forth in the Consultative Report published in October 2013 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 the Consultative Report, as well as in the accompanying Cover Note to the Consultative Report. DTCC recognizes and appreciates the significant effort that CPSS and IOSCO have expended in preparing the proposed Disclosure Matrix as a means for CCPs to provide more transparency to their stakeholders and to the public.

Background of the Consultative Report

The Consultative Report and proposed Disclosure Matrix follow (i) the publication in April 2012 of (a) the final "Principles for Financial Market Infrastructures," which sets forth 24 principles (the "Principles") constituting a single set of international standards for the oversight and regulation of financial market infrastructures ("FMIs") and (b) Consultative Reports on a disclosure framework and an assessment methodology for FMIs and (ii) the publication in December 2012 of the final Disclosure Framework and Assessment Methodology for FMIs.

The Disclosure Framework prescribes the form and content of the disclosures that are expected of FMIs under Principle 23, Key Consideration 5, and the Assessment Methodology provides guidance to assessors for evaluating observance of the 24 Principles and five responsibilities of central banks, market regulators and other relevant authorities for FMIs as they relate to the regulation, supervision and oversight of FMIs.

Principle 23 - Disclosure of rules, key procedures, and market data, provides:

> ***An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.***

Key Consideration 5 of Principle 23 provides:

> *An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.*

The explanatory notes to Principle 23 provide, in relevant part:

> An FMI should provide sufficient information to its participants and prospective participants to enable them to identify clearly and understand fully the risks and responsibilities of participating in the system. (3.23.1)
>
> An FMI also should disclose its financial condition, financial resources to withstand potential losses, timeliness of settlements, and other performance statistics. With respect to data, an FMI should, at a minimum, disclose basic data on transaction volumes and values. (3.23.8)
>
> An FMI should make the relevant information and data it discloses as set forth in this report readily available through generally accessible media, such as the Internet, in a language commonly used in financial markets in addition to the domestic language(s) of the jurisdiction in which the FMI is located. The data

> should be accompanied by robust explanatory documentation that enables users to understand and interpret the data correctly. (3.23.9)

When CPSS-IOSCO published the final Principles and the consultative reports on the Disclosure Framework and the Assessment Methodology in April 2012, the proposed Disclosure Framework included a table of Key Metrics that CCPs would disclose and update periodically, which was a short 1-page document that listed both quantitative and qualitative items for disclosure. Upon adoption of the final Disclosure Framework and Assessment Methodology in December 2012, CPSS-IOSCO did not include the table of Key Metrics but, rather, deferred adoption of the required quantitative disclosure standards until its publication of the proposed matrix in the October 2013 Consultative Report.

Payments Risk Committee Recommendations

In 2012, the Payments Risk Committee ("PRC"),[1] in partnership with a group of leading international CCPs,[2] began to discuss ways to improve the transparency of risk management practices of CCPs as part of their periodic reporting to clearing members. On February 5, 2013, the PRC released a report titled "Recommendations for Supporting Clearing Member Due Diligence of Central Counterparties" ("PRC Recommendations"), which recommended that CCPs make certain information on their risk management practices available to their clearing members.

Structure of the Proposed Disclosure Matrix

The proposed Disclosure Matrix requires a CCP to provide quantitative disclosures on a Principle-by-Principle basis (except for those Principles for which quantitative disclosures are not applicable). The disclosure is to be accompanied by explanatory notes (where relevant and necessary for a complete understanding of the quantitative disclosures) and links to other qualitative disclosures made by the CCP, such as to the CCP's Disclosure Framework.

The quantitative disclosures provided in the proposed Disclosure Matrix, taken together with the Disclosure Framework, would constitute the minimum disclosures expected of a CCP under Principle 23, Key Consideration 5. The disclosures are intended to support the objectives of enabling stakeholders, including authorities, participants (direct, indirect and prospective) and the public, to:

- compare CCP risk controls, including financial condition and financial resources to withstand potential losses;

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[1] The PRC is a private sector group, sponsored by the Federal Reserve Bank of New York, which includes senior managers from a number of major banks in the United States.

[2] The CCPs included the CME Group, DTCC, ICE Clear Credit, ICE Clear Europe, ICE Clear US, Eurex Clearing, LCH.Clearnet Ltd, and The Options Clearing Corporation.

- have a clear, accurate and full understanding of the risks associated with a CCP (in accordance with Principle 23, Key Consideration 5);
- understand and assess a CCP's systemic importance and its impact on systemic risk in all jurisdictions and currency areas in which it provides services or from which it has material membership or in which there are linked infrastructures; and
- understand and assess the risks of participating in CCPs (directly and, to the extent relevant, indirectly).

The use of a common template for the Disclosure Matrix is designed to enable all CCPs to disclose comprehensive and objective information in a similar structure, in order to facilitate comparability across CCPs.

DTCC Comments on Proposed Disclosure Matrix

DTCC supports the efforts of CPSS-IOSCO in promulgating the proposed Disclosure Matrix with the objective of promoting transparency, and submits the following comments and responses that it believes will further the goal of providing an appropriate level of quantitative disclosure to a CCP's stakeholders and the public, while reducing the burden on CCPs.

Level of Detail

DTCC believes that the far-reaching and granular level of detail that a CCP would be required to disclose under the proposed Disclosure Matrix is more suited to an audience comprised of a CCP's regulatory authorities, members and prospective members, as opposed to the general public. The public will have access to the CCP's Disclosure Framework, as well as (at least in the case of U.S. regulated CCPs) a CCP's financial statements and other information published by the CCP and made available on its website. DTCC is concerned that the general public might misunderstand or take out of context the granular data that would be required to be disclosed in the proposed Disclosure Matrix.

DTCC further notes that the level of detail required by the proposed Disclosure Matrix is vastly greater than what was in the initial table of Key Metrics and, moreover, goes far beyond what DTCC believes was envisioned by the language - "basic data on transaction volumes and values" - in Principle 23, Key Consideration 5. Similarly, the proposed level of quantitative disclosure goes far beyond the disclosure requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the European Market Infrastructure Regulation and their respective implementing or technical regulations.

The proposed Disclosure Matrix requires even more granular data than that provided in the PRC Recommendations. Moreover, virtually all of the quantitative data that is recommended for disclosure by CCPs in the PRC Recommendations is to be disclosed only to the CCP's members, and then limited further, in many cases, to only those individuals in such firms who perform risk

management functions and not to be shared with other business units within those firms. This is in recognition of the fact that some of the quantitative data could be readily misconstrued if provided to individuals without the requisite background and training, as well as the potential for disclosure of sensitive confidential information — even if data is in aggregated form.

Potential for Undue Reliance on Quantitative Data

DTCC is also concerned that, given the extensive nature of the required disclosures and the necessary significant amount of related qualitative information that CCPs will be required to add or link to the disclosures in order to provide context to and make the quantitative disclosures more meaningful, readers of the Disclosure Matrix will necessarily focus more on the numbers and other data therein and less on the accompanying and linked qualitative information, which could lead to confusion and misunderstanding of the quantitative information.

DTCC believes that this concern is present in a number of the disclosure items, including the following:

- Item 4 – credit risk
- Item 5.3 – results of haircut testing
- Items 6.3 and 6.4 – initial margin rates and initial margin assumptions
- Item 7.3 – results of stress-testing a CCP's liquidity resources both in the aggregate and by currency
- Item 17 – operational risk

Additional Significant Burden on CCPs; Disclosures Not Uniform Across CCPs

The Consultative Report notes that CPSS-IOSCO sought to "not impos[e] unreasonable or disproportionate additional burden on CCPs" and, therefore, endeavored to focus on data that most CCPs would collect anyway and maintain as part of their day-to-day business and risk management. However, DTCC believes that the disclosure requirements imposed by the proposed Disclosure Matrix would, in fact, impose a significant additional burden on CCPs, in terms of data collection, verification and automation, particularly in light of the efforts that CCPs are now undertaking to complete the Disclosure Framework, the PRC Recommendations and other required regulatory reporting. While it may be true that the CCPs "collect" the data referred to the Disclosure Matrix anyway, reporting the data to a CCP's members and, particularly to the public at large, requires a significant amount of additional diligence and vetting of such data and preparing the necessary additional qualitative disclosures that a CCP will have to include in order to ensure that the quantitative disclosures are meaningful and are understood in the appropriate context.

Moreover, while DTCC agrees with the use of a matrix disclosure format designed to facilitate comparisons across CCPs, the nature of responses to a number of requested disclosures will not be uniform across CCPs, so comparisons will be difficult. Some examples of proposed disclosures that would require significant additional qualitative disclosures and context to understand (and even then, the information might not be comparable across CCPs) are:

- Item 4 – credit risk - "initial margin," "Cover 1" and "extreme but plausible market conditions" - In addition to requiring significant context to understand, the quantitative data resulting from differences in how these concepts are implemented across CCPs would make comparisons difficult.

- Item 5.3 – results of testing of haircuts - in addition to requiring significant context to understand, this is not comparable across CCPs, so comparisons may be difficult.

- Item 9 – money settlements - the items under this heading would require disclosure of average daily value of cash payment instructions including margin and money settlements, peak values, etc. This information may differ across CCPs depending on timing of collection of margin payments, versus transaction money settlements, and depending upon method of settlement (real time gross DVP versus modified DVP models). Again, this would render comparisons across CCPs less meaningful.

- Item 16.2 – breakdown statistics of investment portfolio. Where money is invested on an overnight basis and the investment mix may vary day to day, it is not clear what benefits such granular disclosure would provide, particularly given the significant level of disclosure already provided in the CCP's financial statements as well as the Disclosure Framework.

- Item 19 – statistical disclosure of tiered participation - the information requested by this Item would not likely be comparable across CCPs and could also result in the disclosure of sensitive information.

<u>Disclosure Required Only to the Extent Applicable to a CCP</u>

The Cover Note to the Consultative Report acknowledges that "[i]n some cases specific features of a CCP's operations or business model will mean that some of the listed quantitative data are not relevant, or, more rarely, that data would be relevant but are not available." DTCC believes that CPSS-IOSCO should incorporate this acknowledgment in the final Disclosure Matrix, as a number of the items in the Disclosure Matrix may be inapplicable or not relevant to certain CCPs. Some examples include:

- Item 7.3 – requires disclosure of intraday payment obligations and liquidity monitoring. Some CCPs may not monitor liquidity on an intraday basis.

Moreover, a significant amount of liquidity information is already required to be disclosed in the financial statements of CCPs and in the qualitative disclosure required in the Disclosure Framework. These disclosures should be more than sufficient to provide an understanding of the liquidity requirements and approach of the CCP.

- Item 14.1 – requires a CCP to disclose client positions, number of clients and initial margin held in omnibus vs. individually segregated accounts. In markets where segregation is not done at the CCP level (such as the U.S. cash markets), this disclosure would be inapplicable.

- Item 19 – the information requested by this Item may be difficult for CCPs to obtain (particularly where there is no segregation at the CCP level, or where segregation is done on an omnibus account basis), and their ability to do so would depend on CCP clearing members providing such information to the CCP. Moreover, with any level of granularity, such disclosure, if practicable, would not likely be comparable across CCPs and could result in the disclosure of sensitive information (or enable information to be reverse engineered).

- Item 20.4 – this Item requires disclosure of coverage of initial margin on trades cleared through each link. Not all CCPs currently back-test FMI links or have the ability to do so. These disclosure items should not be applicable to those CCPs.

- Item 23 – this Item requires disclosure of significant breakdowns of average and peak volumes split by: exchange-traded versus OTC; by house versus client (where available); and by transactions submitted by each execution facility. It also requires ranking volumes by jurisdiction where clearing members are located. The context of these disclosures is clearly derivatives based, and does not appear to DTCC to be particularly meaningful for the U.S. cash markets, while imposing a significant disclosure burden: For example, in the U.S. equity markets, there are currently more than 50 trade execution facilities including exchanges and alternative trading venues, and marketplaces already disclose their daily transaction volumes.

Anonymity of Disclosure/Confidentiality

The Cover Note provides that "[t]he common minimum set [of data] is almost all anonymised and aggregated data, so that it is intended to avoid revealing sensitive information about the positions of individual CCP participants." In addition, the General Instructions in the Explanatory Notes provide that "[d]isclosures should not reveal confidential information about individual clearing members, clients or other relevant stakeholders."

DTCC believes that a number of Items in the proposed Disclosure Matrix could, with respect to a particular CCP or its operation, business model, asset class or market, call for the disclosure of

confidential information of a CCP's clearing members or would allow sophisticated market participants to reverse engineer such information to reveal identities or positions of market participants or other sensitive information. Accordingly, DTCC believes that, in finalizing the Disclosure Matrix, CPSS-IOSCO should either eliminate these disclosure Items or provide CCPs with the discretion to either not make the requested disclosures or provide alternative disclosures for such Items. The following items are of particular concern:

- Item 4.3 – providing specific information about individual credit exposures (whether the single largest or two largest) could allow market participants to reverse engineer confidential and proprietary information about CCP members.

- Item 6 – including unique margin characteristics, such as margin add-ons that are not applied to all clearing members, may allow some industry participants to infer proprietary details about clearing members that would violate confidentiality obligations and would reveal confidential and proprietary business information of a CCP's members.

- Items 9.3 and 10.5 – reporting of any single participant information could allow market participants to ascertain confidential and proprietary information about CCP members and serves no real value in assessing the risk of the CCP.

- Items 18.2-18.5 – require CCPs to disclose various concentrations in net open positions, initial margin, and contributions to default fund. In the case of a CCP with a small number of members, disclosure of this information could reveal confidential and proprietary information about individual members.

- Item 19.1 – measures of concentration of client clearing – reporting of data for the top 5 or top 10 clearing members or the number of clearing members with more than a certain percentage of client initial margin or transaction volume could reveal confidential and proprietary information about individual members.

<u>Disclosure of Proprietary Information</u>

DTCC is very concerned that certain Items in the proposed Disclosure Matrix would require disclosure of confidential or proprietary information of the CCP, which could have a competitive or market impact. In addition, some disclosures could be misinterpreted in a way that could unintentionally harm market confidence. The following Items are examples that may raise this concern:

- Item 5 – DTCC believes that the information on a CCP's collateral haircut policies that is currently published by CCPs and will be provided in the Disclosure Framework is sufficient and that any further details could potentially compromise a CCP's proprietary approach to risk management.

- Item 6 – particularly Items 6.6 and 6.7, which require disclosure of total variation margin called from participants each day and/or increase in daily total.
- Item 7 – particularly Item 7.3 (liquidity shortfalls) which DTCC believes disclosure is appropriate only for regulators.
- Item 16.2 – CCPs should not be required to publish information on individual investment counterparties or detailed investment breakdown.
- Item 23.5 – ranking of top five member jurisdictions based on open interest held by direct clearing members in such jurisdictions.

More Input from Industry Needed to Finalize Disclosure Matrix

One of the stated purposes of providing a common set of disclosures is to allow stakeholders and the public to evaluate and compare CCPs and their respective risks. DTCC believes, however, that, without more direct input and collaboration among CPSS and IOSCO and CCPs (in a manner not dissimilar to the efforts that were undertaken to develop the PRC Recommendations), it will be very difficult to harmonize disclosures across all CCPs in a manner that will achieve the desired comparability.

In addition, as noted above, DTCC has concerns about the level of detail required by the proposed Disclosure Matrix and the attendant reporting burden, as well as the potential duplicative requirements with the reporting requirements of the PRC. Moreover, we note that the Principles and Disclosure Framework and Assessment Methodology have not been fully adopted in all jurisdictions, so that the quantitative disclosure would not likely be consistent across jurisdictions, at least for a period of time, if at all. It would create a disproportionate burden to require CCPs in jurisdictions that have adopted the Principles to be required to publish such granular information, while other CCPs might not be similarly required to do so.

Accordingly, DTCC supports the recommendation of CCP-12 that CPSS-IOSCO, local regulators and CCPs work together to reach consensus on a set of agreed-upon metrics. Any such agreement should balance the goal of transparency and public disclosure against the concerns of not over-burdening CCPs or requiring them to disclose sensitive or proprietary information about themselves or their membership.

Implementation Timeframe

Given the extraordinary amount of data that CCPs will be required to collect, analyze and publish, together with accompanying qualitative disclosures, and the resources that will have to be expended to do so, DTCC believes that, once the Disclosure Matrix is finalized, CCPs should be permitted to work with their local regulators to determine the time frame within which CCPs will be required to complete their first set of disclosures under the Disclosure Matrix. We would

encourage the regulators to consider staggered implementation in order for CCPs to prioritize disclosures, technology resources and other reporting initiatives.

Periodic Updates

The Consultative Report provides that the proposed Disclosure Matrix is expected to be updated more frequently than the Disclosure Framework, with most of the required disclosure being required to be updated quarterly, and the remainder updated annually. Given the extensive disclosure requirements in the proposed Disclosure Matrix, and the additional significant reporting burdens thereby being imposed on CCPs, DTCC agrees with the timeframes for updating proposed by CPSS-IOSCO, i.e., quarterly for most items and annually for others.

DTCC suggests that the Disclosure Matrix be updated on a quarterly basis with information at and for the quarter ended provided by the end of the following quarter (e.g., information at and for the year and quarter ended December 31 would be provided by March 31 of the following year). DTCC believes that more frequent reporting would not be useful and that any more frequent reporting than that proposed in the Disclosure Matrix would further burden CCPs without providing a significant benefit to their stakeholders or the public.

DTCC Responses to Specific Consultative Questions

The following are the specific questions in the Cover Note and the Consultative Report to which DTCC is providing responses:

Cover Note

Q - Are there additional quantitative data that are not included but are, in the respondent's view, necessary to allow risks associated with CCPs and the systemic importance of CCPs to be understood, assessed and compared? If so, what additional data should be disclosed, and why?

A – DTCC does not believe that any additional quantitative data should be added to the Disclosure Matrix.

Q - Are there alternative quantitative or qualitative data, or more effective ways of presenting these or alternative data, that would better meet the objectives of fully, clearly and accurately understanding CCP risks and systemic importance, and comparing CCP risk controls, financial condition and resources to withstand potential losses, given the different markets and products cleared by CCPs, and differences in their structure? Are there data items included that are not, in the respondents' view, necessary to achieve these goals and, if so, why are these not necessary?

A - DTCC does not believe that any additional quantitative data should be added to the Disclosure Matrix. See DTCC's general comments above for data items that are not necessary to be included in the Disclosure Matrix or whose inclusion could create misunderstanding, undue reliance or confusion.

Q - Would any of this data be materially commercially prejudicial to CCP participants, linked FMIs or other relevant stakeholders and why is this the case?

A – See DTCC's general comments above under "Anonymity of Disclosure/Confidentiality."

Q - Would disclosure of any of this data result in material additional burden to the CCP, and why (for example, because the data are not routinely available to the CCP in the normal course of its business and risk management)? If so, what analogous information could be disclosed in a meaningful way that would achieve similar goals while minimising this burden?

A – See DTCC's general comments above under "Additional Significant Burden on CCPs."

Q - What is the appropriate structure for presenting the quantitative disclosures so that comparability is facilitated? Once reporting has begun, should previous reports remain available to allow trends over time to be examined?

A – As explained in the general comments above, DTCC believes that a common template such as the Disclosure Matrix is the appropriate structure for disclosure, subject to each CCP being given the discretion to respond only to items that are applicable to the CCP and/or to substitute disclosure items where appropriate to protect commercially sensitive information. DTCC believes that, once a CCP begins to report under the Disclosure Matrix, previous reports should remain available up to 3 years so that trends can be examined.

Item 13 – Default rules and procedures

Q - Would it be useful to publish quantitative disclosures following a default, with a suitable lag? (eg amount of loss versus amount of IM; amount of other financial resources used to cover losses; proportion of client positions closed-out / ported (in aggregate such that individual clients/members cannot be identified))? How long after the default would be appropriate?

A - As a general matter, each default situation is unique and default resolution is a sensitive matter. DTCC believes that providing the suggested quantitative information would not, absent a significant amount of explanatory detail, be useful to a CCP's members or the public. Moreover, in the course of resolving a default, CCPs already provide information relevant to their members with respect to the default, such as how outstanding transactions will be handled and allocation of losses (if any). In any event, DTCC believes that no such information should be provided until well after the close-out and settlement of the default and, even then, there may be occasions

where it would be prudent for the CCP to withhold providing the requested quantitative information for a more significant period of time following the default, particularly where there is outstanding litigation or other proceedings. Accordingly, DTCC concurs with CCP-12 that it is not appropriate for a standard-setting body to issue concrete guidelines for the content or timeframe within which quantitative default reports should be made publicly available. Rather, CCPs need the discretion to provide information at such times and in such levels of detail as they determine to be in their best interests and the best interests of their membership.

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DTCC appreciates the opportunity to comment on the proposed Disclosure Matrix and looks forward to working with CPSS and IOSCO and other CCPs in further enhancing and finalizing the Disclosure Matrix.

Very truly yours,

Larry E. Thompson

Larry E. Thompson
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