The purpose of the paper is to elicit comments and feedback from a broad range of interested stakeholders. The CPMI and IOSCO particularly welcome feedback on the following questions:

Access (Section 2)

Design of direct and sponsored access models

1. Do you agree with the observation in the discussion paper that the direct and sponsored access models are designed for and generally used more by larger and/or more sophisticated clients?
   Yes, since the opportunities for those who might be interested in such contributions are not yet shown.

2. Could there be any other solutions that would facilitate access, either through greater use of such access models by small and medium-sized clients, or through some other solution?
   Whether, with greater dissemination, it could contribute to an increase in these practices.

Barriers

3. Do you agree with the findings in the discussion paper that direct and sponsored access models are used more for certain types of products (eg. repos) than for others? Do you agree with the reasons described in the paper for why this is the case? Why/why not?
   Yes, as they are not available to derivatives subject to mandatory clearing.

Challenges related to direct and sponsored access models

4. Do you agree that direct and sponsored access models have the potential to diversify the risk profile of the direct clearing participant basis of a CCP by introducing new types of direct participants? Why/why not?
   No, because these new profiles are subject to different constraints than those which apply to other direct clearing participants, including legal and a CCP will need to identify, monitor, and manage the associated risks

5. Do you think that CCPs have introduced sufficient safeguards to prevent risk transmission from direct participants using direct and sponsored access models? Why/why not? If not, what additional safeguards do you think are necessary?
   Yes, because the CCPs generally implement safeguards to limit their activity and avoid risk transmission to the rest of the member base.

6. Do you think that sponsors are properly incentivized to closely monitor the activity of their sponsored participants (ie the direct participants)? Why/why not? If not, how do you think sponsors could be properly incentivized?
   Yes, because the sponsor (“agent member”) to provide two additional resources: an “agent buffer” and an “agent resource contribution”. The agent resource contribution is equal to the default fund contributions that would otherwise be required of its two largest sponsored participants in addition to paying the default fund contribution on behalf of the sponsored participant.

7. Do you think that the number of sponsors is limited? Are you concerned about sponsor concentration risk? If so, is this because it is difficult to find a sponsor? Are there any other reasons?
   Yes, because the As sponsored access models grow and attract additional participation, there is a possibility that a new kind of concentration will appear in the future if the number of “sponsors” remains limited. CCPs will need to monitor and manage the risks associated with concentration of sponsored members per sponsor, building on their existing risk management framework for client clearing.

8. Do you think that CCP rules adequately address the issue of sponsor default? If so, what are the CCP rules that adequately address this issue? If not, what kind of CCP rules are required to address this issue?
Yes, CCP rules are generally in accordance with this understanding and such rules are tested regularly. In this period, it is also expected that any waterfall contribution (eg cash call) related to the sponsored participants' positions could be paid by existing resources (eg buffers from the defaulted sponsor). However, if these resources would prove insufficient, the sponsored participant(s) would likely be put into technical default, even while being in a sound financial condition. To address this potential chain reaction, some CCPs impose rules that further restrict sponsored participants' activities while they are "sponsor-less". For instance, some CCPs only allow risk-reducing transactions. Another CCP retains discretion over liquidating the sponsored members' positions or letting them elapse.

Testing

9. Have you participated in default management exercises that test direct and sponsored access models?
No, we have not participated

10. Without providing identifying information, what has worked well in such exercises? What has not? Do you have recommendations as to what could be improved for such exercises?
For now, we have no recommendations

Additional considerations

11. Please describe any additional factors that may be impacting the activity and uptake of direct and sponsored models that are not considered in this paper.
A factor could be anti-money laundering prevention and investigative procedures.

12. Please provide any additional comments with regards to the impact that direct and sponsored access models have on access to client clearing.
Perhaps they could be more inclusive and democratize access to client compensation a bit more.

13. Please provide additional comments with regard to access to client clearing more generally.
Perhaps they could be more inclusive and democratize access to client compensation a bit more.

Porting (Section 3)

Risks from not porting

14. Are there any additional risks or potential harm associated with not porting following a clearing participant default, which were not described in the discussion paper? If so, please describe such additional risks and/or harm.
The risks or potential harm associated with not porting following a clearing participant default, were duly described in the document.

15. Potentially effective practices. Do you agree with the two tools identified in the discussion paper as potentially successful porting practices? Are there any other tools that should be identified as potentially effective practices?
Yes, we agree with the two tools identified in the discussion paper as potentially successful porting practices.

16. What additional approaches do CCPs use to pre-emptively identify a backup CCSP? What incentives can be provided to assist the development of alternative/backup CCSP relationships? Are there any other considerations for alternate/backup CCSPs not set forth in the report?

Alternate or backup CCSPs can help streamline CCPs' porting processes in the event of a default, and give the client more control over the porting process. Many CCPs encourage clients to identify a backup or multiple backup CCSPs. At least one CCP has imposed higher default fund requirements on CCSPs that have clients without a backup CCSP, to reflect the higher burden associated with default management. The increased cost of such CCSP arrangements without backup CCSPs incentivizes CCSPs to actively consider how the CCP should address its portfolio in the event of a CCSP default. Typically, the selection of a backup CCSP indicates the client's consent to have its positions ported to the particular CCSP. Further, a CCSP that agreed to be an alternate is more likely to accept the client's positions held at a defaulting CCSP. However, the backup CCSP typically does not guarantee that it will accept any or all of the positions that need to be ported.

17. Are there other considerations for having a game plan that were not described in the discussion paper?
    No, the considerations for having a game plan, were adequately stated.

18. In addition to those outlined in the paper, what attributes of account structures facilitate or impede porting client accounts?
    The immediacy of transfers between accounts, refusal of portability, the financial institutions of origin reject the change or portability that the client wants

19. Are some client accounts not suitable for porting?
    All accounts should be suitable for portability

20. Does holding excess collateral and the ability to make direct payments improve the probability that a client will be ported successfully or are there impediments to using this collateral?
    Yes, holding excess collateral and the ability and infrastructure will allow that a client will be ported successfully.

21. What is your view of a client consent mechanism that could be used to facilitate porting, if permitted under applicable law?
    Currently there are computer security measures and infrastructure that facilitates obtaining the consent of the client regarding porting.

22. Are the potentially effective practices described in the discussion paper consistent with prior porting experiences?
    Yes, we agree

23. Are there any barriers to implementing potentially effective porting practices that are not described in the discussion paper?
    No, the barriers that are exposed are clear and sufficient.

<u>Communication and coordination</u>

24. Are there any additional communications by the CCP or the defaulting CCSP that may increase the probability of porting client accounts?
    No, the document adequately describes the communication by the CCP or the defaulting CCSP.

25. Are there additional actions CCPs can take following a clearing participant default to coordinate that are not set forth in the discussion paper? Are there any limitations on coordination that are not included in the paper?
    No, we consider that there are no additional actions

Harmonization

26. Are there additional items CCPs can harmonize or standardize during business as usual that are not outlined in the discussion paper? Are there any factors that may impede harmonization or standardization that are not provided in the paper?
    No, we consider that there are no additional items CCPs can harmonize or standardize during business.

Notable issues to consider when developing a porting protocol

27. Are there additional regulatory requirements that could impede porting? Can such impediments be addressed or mitigated through action prior to the CCSP's default?
    No, we consider that there are no additional regulatory requirements that could impede porting.

28. Are there any additional factors that should be addressed in testing exercises?
    No, we consider that are not additional factors that should be addressed

29. Please provide examples of good disclosure practices from your perspective.

30. Are there other arrangements a CCSP can make to ensure that, post default, the CCSP can help coordinate porting at multiple CCPs if the CCSP is a non-defaulter? If the CCSP defaults, what arrangements can the CCSP make to facilitate the porting of its clients?
    Facilitate direct contact with customers

Suggested next steps

31. Please provide feedback on the suggested next steps for consideration. Do you agree that these issues warrant further consideration by CCPs, CCSPs and/or clients? Are there additional issues that may warrant further consideration?
    Yes, we agree that these issues warrant further consideration by CCPs, CCSPs and/or clients