COMMODITY MARKETS COUNCIL

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Via Electronic Submission

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Regs.comments@federalreserve.com

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW., Suite 3E-218
Washington, DC 20219
Regs.comments@occ.treas.gov

Re: CMC Comment on Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies [Docket No. R-1604, Docket ID OCC-2018-0002, and RIN 7100 AF-03], and Amendments to the Regulatory Capital, Capital Plan, and Stress Test Rules [Docket No. R-1603 and RIN 7100-AF 02]

Dear Sir or Madam:

The Commodity Markets Council ("CMC")[1] appreciates the opportunity to comment on the April 11, 2018 proposal by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Office of the Comptroller of the Currency ("OCC") to revise the enhanced Supplementary Leverage Ratio ("eSLR") that applies to U.S. global systemically important banking organizations ("G-SIBs") and the April 10, 2018 proposal by the Federal Reserve to implement a stress capital buffer ("SCB") for bank holding companies with $50 billion or more in total consolidated assets and U.S. intermediate holding companies of foreign banking organizations established pursuant to Regulation YY. CMC writes in support of the two comment

[1] CMC is a trade association that brings together exchanges and their industry counterparts. Its members include commercial end-users that utilize the futures and swaps markets for agriculture, energy, metal, and soft commodities. Its industry member firms also include regular users and members of swap execution facilities (each, a "SEF") as well as designated contract markets (each, a "DCM"). Along with these market participants, CMC members also include regulated derivatives exchanges and price reporting agencies. The businesses of all CMC members depend upon the efficient and competitive functioning of the risk management products traded on DCMs, SEFs, and over-the-counter ("OTC") markets.

letters submitted by (1) the Futures Industry Association ("FIA") and (2) the CME Group Inc. ("CME") and Intercontinental Exchange Group Inc. ("ICE") (collectively, "the commenters").

CMC agrees with the commenters that the Federal Reserve and OCC's efforts to recalibrate the supplemental leverage ratio ("SLR") and eSLR will reinforce risk-based capital requirements. As the commenters explained, however, unless the banking agencies modify both their proposals and the current capital framework's specific treatment of derivatives clearing, the SLR and eSLR will continue to disincentivize U.S. banking organizations from providing derivatives clearing services to their clients. By failing to provide for initial margin ("IM") offsets against client exposure, market participants will continue to struggle to access cleared derivatives and/or face higher prices, systemic risk will remain elevated, and U.S. market participants will remain at a competitive disadvantage to their European Union ("EU") counterparts. Additionally, while the eSLR recalibration to a risk-based measurement is a positive development, it fails to consider the centrally cleared derivative market structure and the exposure reducing nature of appropriately segregated client IM.

To that end, CMC supports the following recommend changes proposed by the commenters:

(1) Replacing the current fixed 2 percent eSLR for U.S. G-SIBs and their insured depository institution subsidiaries with a measure equal to 50 percent of the G-SIB surcharge numerator as calculated under Method 1, not Method 2;
(2) Amending the definition of "total leverage exposure" so that a banking organization's leverage exposure arising out of its guarantee to a central counterparty in a cleared derivative transaction is reduced by the amount of IM provided by the client;
(3) Revising the calculation of "total leverage exposure" and standardized risk-based capital requirements to incorporate the Standardized Approach for Counterparty Credit Risk (SA-CCR) with appropriate modifications, including full recognition of variation margin and IM, a downward recalibration of SA-CCR's 1.4x "Alpha" factor, and recognition of netting across asset classes;
(4) Revising the FR Y-15 reporting form instructions so that derivatives clearing activity applies only towards the Size indicator and not the Complexity or Interconnectedness indicators of the G-SIB surcharge methodology.

If you have any questions or concerns regarding this letter, please do not hesitate to contact Kevin Batteh at Kevin.Batteh@Commoditymkts.org.

Sincerely,

/s/ Kevin K. Batteh

Kevin K. Batteh
General Counsel
Commodity Markets Council