

## SPEECHES & TESTIMONY

### Statement of Chairman Heath Tarbert in Support of Final Amendments for Derivatives Clearinghouses

December 18, 2019

Clearinghouses—often called central counterparties or CCPs—are what make our futures, options, and much of our swaps markets work. Once a buyer and seller enter into a derivatives trade, the CCP takes on each party’s credit risk for the duration of the contract.

Hundreds of thousands of trades occur in the United States because market participants never need to worry about counterparties not making good on their payment obligations. The entire risk of an exchange or even several exchanges is centralized within a given CCP. As a consequence, CCPs are the “risk controllers”<sup>[1]</sup> that stand at the very epicenter of our markets.

As Chairman, I have emphasized that one of the most critical responsibilities of the CFTC is supervising CCPs on a daily basis.<sup>[2]</sup> When the term “prudential regulators” is thrown around in Washington, the CFTC is usually excluded from the list. Nothing could be more misleading. The CFTC’s role as the nation’s prudential regulator for derivatives clearinghouses is part of the reason American CCPs are undoubtedly the strongest and most resilient in the world.<sup>[3]</sup>

Part 39 of our regulations implements our statutory principles-based framework for the supervision and regulation of derivatives clearinghouses.<sup>[4]</sup> Our framework focuses on all key aspects of CCP operations, including financial resources, member eligibility, risk management, and system safeguards. It is incumbent upon us to revise Part 39 at regular intervals to ensure it remains up-to-date as technology and other market-driven changes come to the fore.

I am therefore pleased to support the final amendments to Part 39 before the Commission today. The final amendments<sup>[5]</sup> represent the codification of close to a decade of best practices and procedures adopted by CCPs in accordance with our core principles. In promulgating these amendments, we are also making good on our promise to strengthen the regulation of CCPs and to make our regulations more transparent to all market participants.

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<sup>[1]</sup> See Peter Norman, *The Risk Controllers: Central Counterparty Clearing in Globalized Financial Markets*, John Wiley and Sons, Ltd. (2011).

<sup>[2]</sup> See Chairman Heath P. Tarbert, “Why the CFTC is the most important regulator you’ve never heard of,” *Fox Business* (July 29, 2019), available at: <https://www.foxbusiness.com/financials/why-the-cftc-is-the-most-important-regulator-youve-never-heard-of>.

<sup>[3]</sup> *Id.*

<sup>[4]</sup> 17 C.F.R. Part 39.

<sup>[5]</sup> As important as these amendments are, they do not address a number of emergent issues relating to CCP risk, governance, and default procedures. Many of these important issues will soon be taken up by the CCP Risk and Governance Subcommittee of our Market Risk Advisory Committee. I look forward to their consideration and the public discussion that it will foster.