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Via Electronic Submission

Vanessa Countryman
Secretary Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre, 1155 21st Street NW
Washington, D.C. 20581

Dear Ms. Countryman and Mr. Kirkpatrick,

The Global Association of Central Counterparties ("CCP Global", "CCPG") is the international association for central counterparties ("CCPs"), representing 45 members that operate over 60 individual CCPs across the Americas, EMEA, and Asia-Pacific. CCP Global appreciates the opportunity to respond to the Commodity Futures Trading Commission ("CFTC") and Securities and Exchange Commission ("SEC") (collectively "Agencies") Joint Request for Comment on Further Implementation of Portfolio Margining and Cross-Margining of Securities and Derivatives ("Request for Comment").

CCP Global welcomes the work on portfolio margining and cross-margining from the SEC and CFTC as a part of the broader joint harmonization initiative between the Agencies, as demonstrated with the adoption of their March 2026 Memorandum of Understanding on Harmonization in Areas of Common Regulatory Interest[1]. Opportunities to expand portfolio and cross-margining can reduce portfolio risk and improve collateral and capital efficiency. Furthermore, portfolio margining and cross-margining offerings are available in variety of formats across CCPs under the remit of both authorities, while providing clear risk management benefits to market participants. Whether a financial product is regulated by the SEC, the CFTC, or both has little bearing on whether positions in that product offset each other's risk. Portfolio margining recognizes margin offsets regardless of regulatory category, reduces portfolio risk and potential liquidity stress, improves collateral and capital efficiency, and encourages more disciplined risk management. When the Agencies work together, cross-margining between CCPs offers additional benefits of recognizing additional margin offsets that are not inherently permissible because of regulatory product categories and increasing transparency of member accounts across CCPs.

[1] Memorandum of Understanding between the U.S Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission regarding Harmonization in Areas of Common Regulatory Interest

Any expansion of work that can be done by the Agencies to support portfolio margining and cross-margining must be grounded in sound risk management. It is important to highlight the risk management benefits of cross-margining between CCPs, which include potentially reduced liquidity demands during periods of stress, enhanced transparency to market participants' exposures across CCPs, and allowing CCPs to align margin requirements with market participants' overall portfolio risk by recognizing the economic offsets between correlated positions. It's notable that the industry demands for both portfolio and cross-margining were in response to allowing market participants to more effectively manage their portfolio-level risk, which ultimately reduces overall systemic risk, as well as the desire to align margin requirements more closely with portfolio-level risk and diversification benefits, particularly where clearing requirements apply to portions of a portfolio.

Accordingly, we encourage both the CFTC and the SEC to enhance their regulatory cooperation with respect to portfolio and cross-margining arrangements to minimize duplicative processes for CCPs and enhance regulatory efficiency. With that said, we believe the CFTC and SEC can coordinate on the timelines for their regulatory review processes for new cross-margin programs and enhancements to existing programs. We also believe there is an opportunity for enhanced efficiency, particularly in regards to enhancements to existing programs, as in certain instances CCP Global members have observed that making enhancements has taken in excess of 5-months (e.g., extending arrangements to customers), even where such enhancements do not have a material risk impact.

Further, additional *harmonization* efforts could be made in the customer segregation regime, as CCPs currently need to receive regulatory sign-off from both the CFTC and SEC when offering cross-margining to U.S. customers. Greater coordination would provide a more efficient, predictable, and streamlined review process for CCPs regulated by one or both agencies. Any reduction of complexity here would be welcomed by CCPG Members, as this would potentially allow additional partnerships and agreements to take place amongst CFTC-regulated derivatives clearing organizations and SEC-regulated clearing agencies. In addition, the CFTC and SEC should also take into consideration the ability of U.S. institutions to access cross-margining programs in foreign markets that are primarily regulated by foreign authorities.

The decision to allow for portfolio margining and cross-margining between positions must remain a risk-based decision that takes into account the specific risk characteristics of the underlying products. As mentioned in the CCP Global "CCP Best Practices[2]" position paper:

> *A CCP that uses a portfolio approach to calculate initial margins should identify, document and apply clear criteria when determining which products are correlated and, therefore, potentially eligible for portfolio initial margining. This includes criteria to evaluate whether portfolios may be reliably liquidated and risk-managed on a consolidated basis in the event of a CM default. In order to provide risk offsets, the significance and reliability of products correlation should be demonstrated on an economic and statistical basis. CCPs use a risk-based approach when establishing, reviewing and assessing margin offsets. Specifically, CCPs avoid relying on minimum correlation; rather they incorporate economic basis as a consideration and also utilize back-testing to ensure margin offsets are quantitatively appropriate. Portfolio initial margining provides a much more accurate estimate of the likely worst-case loss (to some defined statistical confidence level) of the overall portfolio.*

[2] CCP Best Practices – A CCP12 Position Paper, May 2019

The *Principles for financial market infrastructures* ("PFMIs") and existing regulations implementing the PFMIs in the U.S., E.U. and elsewhere rightly place constraints on the allowable benefits of portfolio margining. The PFMIs demand that a CCP that employs portfolio margining must demonstrate that the risk of one product is significantly and reliably correlated with the risk of the other product. CCPs typically maintain documented criteria for determining sufficiency of product correlations to warrant margin offsets, which must also be grounded in an economic basis. Margin offsets should be supported by economic and statistical analysis, including back-testing, to confirm their ongoing appropriateness.

Portfolio margining must also operate under a model that ensures a CCP can carry out one of its most important functions – handling the default of a clearing member, which would be uncertain in the case of portfolio margining across cleared and uncleared markets. Not all markets are suited for portfolio margining. In particular, portfolio margining between cleared and uncleared markets would introduce undue risks into the cleared space that could not be appropriately managed. It is unclear how such an arrangement would be implemented (e.g., account structure) or risk management (e.g., default management, counterparty credit risk, or margining).

We believe the current account segregation structure for futures, securities and swaps is appropriate and no *new* account structure is required at this time, as the existing account structures have a proven track record of providing both sound risk management and strong customer protections, along with the benefits of portfolio margining and cross-margining. Introducing a new account regime would create unnecessary challenges for the bankruptcy code and create uncertainty with regard to customer protections received.

Conclusion

Streamlined regulatory review processes in general would help to create the paths to allow new portfolio margining and cross-margining arrangements and expansions of existing arrangements. However, clear guardrails around certain aspects of risk and economic considerations, including from a default management perspective, are equally important. For example, while the CFTC has an economic basis requirement for portfolio margining, the SEC does not have an explicit requirement. As mentioned in the Request for Comment, the Agencies have distinct approaches to segregation of customer funds, insolvency, and margin, which are based, in part, on the regulatory frameworks established for their respective markets and the nature of the securities and derivatives that are traded in those markets. Any effort by the Agencies to create a similar view on these topics in order to simplify the decision process going forward would be greatly appreciated by CCPG and its members.

About CCP Global

CCP Global is the global association for CCPs, representing members who operate more than 60 individual CCPs globally across Europe, the Middle East, and Africa (EMEA), the Americas, and the Asia-Pacific (APAC) regions.

CCP Global promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP Global leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions and position papers.

For more information, please contact the office by e-mail at office@ccp-global.org or through our website by visiting www.ccp-global.org.

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