

From: Chris Barnard
Subject: Financial Market Utilities

Comments:

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Proposal: Regulation HH - Risk Management Standards Regarding Certain Financial Market Utilities

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Dear Jennifer Johnson. Thank you for giving us the opportunity to comment on your Notice of proposed rulemaking: Financial Market Utilities, Docket No. R-1412. I agree that FMUs play a critical role in markets, and we need to ensure their continuing resilience and strength in order to maintain financial stability. I therefore support the thrust of your proposals, particularly §234.4 Standards for central securities depositories and central counterparties. Concerning risk management, as I have commented before, risk management effectively encompasses organisational structure, governance, the risk functions, internal controls, compliance, internal audit and the legal functions. I would therefore recommend that you should more comprehensively and explicitly address all of these elements that make up a risk management framework. Furthermore I would recommend that you should focus more on operational risk, which is glossed over in the proposals. Operational risk is critical as operational risk failures effectively allow other types of risk, such as credit risk and market risk to be excessive. Yours sincerely, Chris Barnard