

From: Anonymous  
Proposal: 1477 (RIN AD-7100 AE-09) - Reg HH -- Risk-Management Standards for Certain  
Financial Market Utilitie  
Subject: Regulation HH

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Comments:

Date: Jan 14, 2014

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Proposal: Regulation HH: Financial Market Utilities [R-1477]

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First name:

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Last name:

Affiliation (if any):

Affiliation Type: ()

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Your comment: "Proposed 234.3(a)(10) requires a designated FMU that operates as a central counterparty, securities settlement system, or central securities depository to clearly state its obligations with respect to the delivery of physical instruments or commodities and identify, monitor, and manage the risks associated with such physical deliveries." pp. 51-52 "...clear rules would include definitions for acceptable physical instruments or commodities, permissible alternative delivery locations or assets (if any)..." p. 52 The proposed rule refers to "obligations" to deliver commodities that may be settled without delivering physical commodities. The rule is clearly meant to capture, for instance, commodity futures that can be settled with cash at a penalty. The rule as proposed rule would likely be too narrow and not apply to a significant portion of commodity futures markets. If the purpose is to avoid conflicts of interest, promote transparency in commodity markets, and avoid imprudent risk taking by systemically important financial institutions, then surely the Federal Reserve itself should be subject to the proposed rule. If the Federal Reserve denies participating in commodity markets, then being subject to the rule would make no difference. If the Fed does participate, and such participation does not imply price manipulation, conflicts of interest, or both, then the Fed would have no objection to submitting to the proposed rule.