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March 14, 2019

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington DC 20551
regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Comments@FDIC.gov

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

Re: Capital Adequacy: Standardized Approach for Calculating the Exposure Amount of Derivative Contracts Notice of Proposed Rulemaking. Board Docket No. R-1629 and RIN 7100-AF22; FDIC RIN 3064-AE80; OCC Docket ID OCC-2018-0030 and RIN 1557-AE44

Dear Ms. Misback, Mr. Feldman and Legislative and Regulatory Activities Division:

The FIA Principal Traders Group ("FIA PTG") appreciates the opportunity to comment on the above-captioned notice of proposed rulemaking ("Proposal"). FIA PTG is an association of firms that trade their own capital primarily in the exchange-traded and cleared derivatives markets. FIA PTG members engage in manual, automated and hybrid methods of trading, and are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG members are a critical source of liquidity in the markets in which we trade, enabling those who use these markets, including commercial end-users, to manage their business risks and to enter and exit the markets efficiently.

We strongly support the proposed move from the current exposure methodology ("CEM") to the standardized approach for counterparty credit risk ("SA-CCR") without further delay. As active liquidity providers in centrally cleared products our members have been directly and adversely impacted by the capital constraints imposed on regulated bank clearing firms who clear and carry our positions as a result of continued reliance on the flawed CEM to calculate exposure under the supplemental leverage ratio. We agree with the Proposal that "CEM does not recognize, in an economically meaningful way, the risk-reducing benefits of a balanced derivative portfolio." SA-CCR provides a far superior method.

FIA PTG members are reliant on bank clearing members to provide them with access to clearing. As liquidity providers it is not uncommon for our members, especially those active in options, to generate large portfolios of positions with relatively little unhedged market exposure. In recent years, with the introduction of increased bank capital regulations, the flaws in CEM, including the lack of risk weighting and lack of cross-product netting, have led to an overall constraint on clearing access. Any constraints applied to our clearing partners are passed on to our members and have a direct impact on the amount of liquidity we are able to provide and the prices at which we are able to provide it. The current regime and calculation methodology have significantly impacted our ability to provide liquidity when it is needed most.

We agree that "the proposed implementation of SA–CCR would provide important improvements to risk-sensitivity and calibration relative to CEM, resulting in more appropriate capital requirements for derivative contracts." We encourage the immediate adoption of the Proposal including the provision that would permit regulated clearing banks to adopt SA–CCR as of the effective date of the final rule. We acknowledge that the SA-CCR methodology is not perfect and that many technical refinements may be necessary following the adoption of the rule in the Proposal. We support further refinement going forward, but not further delay in implementation of SA-CCR pending such refinement.

If you have any questions about these comments, or we can provide further information, please do not hesitate to contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

Joanna Mallers

Joanna Mallers
Secretary