



# Occupy the SEC

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*Occupy the SEC works to ensure that financial regulators protect the interests of the public, not Wall Street.*

**FOR IMMEDIATE RELEASE:**

## **Occupy the SEC Submits Letter to SEC Re: Clearing Agency Regulations**

*New York, NY – June 10, 2014*

Occupy the SEC (“OSEC”) has submitted a comment letter to the Securities and Exchange Commission (“SEC”) regarding that agency’s notice of proposed rulemaking on systemically important and security-based swap clearing agencies.

As numerous commentators have asserted, swaps and other exotic OTC derivatives contributed to the recent financial crisis. These often-complex instruments were traded on shadowy markets and enabled an exponential growth of leverage and unpredictable, interconnected risk. Under the banner of financial innovation and competition, these derivatives allowed sophisticated market players to exploit ordinary homeowners, municipalities and others. The Dodd Frank Act has sought to shed light on these opaque markets, by requiring derivatives to be cleared through registered agencies.

This shift could be a useful means to bring shady derivatives transactions “out of the shadows,” provided of course that clearing agencies are themselves robust and stable. In some ways the risk associated with derivatives has not gone away – it has simply shifted to clearing agencies. Thus, it is vital that the Commission not only promulgate strong regulations covering such agencies, but also enforce such regulations in a vigorous manner.

The SEC has proposed a dual framework for the regulation of registered clearing agencies, applying general standards under Rule 17Ad-22(d) for new entrants, and a more rigorous set of standards for covered clearing agencies under Rule 17Ad-22(e). OSEC supports this dual framework, as it will allow new entrants to more firmly establish themselves as clearing agencies, which is important for the deconsolidation and diffusion of risk across the market.

Even so, in its comment letter OSEC has recommended that the Commission remain vigilant to prevent companies from engaging in regulatory arbitrage to avail of relaxed standards under Rule 17Ad-22(d). OSEC also urges the Commission to exercise its blanket authority to designate risky companies as “covered clearing agencies” subject to the stringent requirements of Rule 17Ad-22(e). Further, OSEC urges the Commission to expand the role of external auditing to ensure compliance with clearing rules.

**Occupy the SEC** is a group of concerned citizens, activists, and financial professionals that works to ensure that financial regulators protect the interests of the public, not Wall Street. For further information, visit <http://occupythesec.org> or email [info@occupythesec.org](mailto:info@occupythesec.org).

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