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April 1, 2024

Via Electronic Submission

Martin Moloney
Secretary General
The International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Re: Public Comment on IOSCO's Consultation Report on Post Trade Risk Reduction Services

Cboe Global Markets, Inc. ("Cboe") appreciates the opportunity to provide comments on IOSCO's consultation report on post trade risk reduction services (the "Consultation").¹ The Consultation focuses on challenges and potential risks related to the Post Trade Risk Reduction Services (PTRRS) provided by third party service providers to market participants to assist them in reducing operational and counterparty credit risks associated with outstanding over-the-counter (OTC) derivatives positions.

As a leading provider of market infrastructure and global exchange operator, Cboe is committed to promoting efficiency and resilience in exchange traded markets. Although the consultation is focused on PTRRS for OTC derivatives, we believe PTRRS services for exchange-traded derivatives positions can similarly support efforts to streamline trade processing, reduce counterparty exposure, and improve capital efficiencies. Cboe offers a post-trade compression mechanism to do just that, allowing participants to reduce their open interest in exchange-traded derivatives positions in a risk-neutral manner that reduces market exposure and reduces the amount of clearing and margin capital needed to maintain open positions. In this way, compression services free up capital that can be redeployed by market participants in a productive manner (e.g., providing additional liquidity to markets).

As IOSCO notes, PTRRS for OTC derivatives involve the termination of some positions, but often also require the simultaneous entry into force of a new non-centrally cleared, bilateral, OTC position. These types of OTC optimization services do present unique risks that are not present when the PTRRS results in centrally cleared positions. While we are supportive of PTRRS for both OTC and exchange-traded derivatives, we believe it would be prudent, where possible, for these new contracts to be migrated to centrally cleared positions as central clearing provides transparency and counterparty credit risk reduction in a manner that helps limit systemic risk. We encourage IOSCO members to consider ways to incentivize the development of mechanisms that promote central clearing in PTRRS.

¹ See The International Organization of Securities Commissions, "Consultation Report Post Trade Risk Reduction Services," January 2024, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD760.pdf>

Cboe welcomes the opportunity to discuss these comments further.

Sincerely,

A handwritten signature in black ink, appearing to read "Angelo Evangelou". The signature is fluid and cursive, with the first name "Angelo" written in a larger, more prominent script than the last name "Evangelou".

Angelo Evangelou
Chief Policy Officer
Cboe Global Markets