



May 14, 2024

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Cboe Digital Exchange, LLC Rule Certification
Submission Number CCD-2024-07C

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Rule 40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (“CFTC” or “Commission”) under the Act, Cboe Clear Digital, LLC (“CCD” or “Clearinghouse”) hereby submits amendments to certain CCD policies and procedures to align with the new role and responsibilities of the Cboe Clear Digital Risk Management Committee (“RiskCo”), as well as certain other updates specifically to the CCD Risk Management Procedures (the “Amendment”). The Amendment to the CCD policies and procedures (listed below) are set forth in a segregated confidential **Exhibits A-H** to this submission. The Amendment will become effective on May 31, 2024.

Background

In July 2023, the CFTC published final new requirements under CFTC Rule 39.24 (Governance), specifically Rule 39.24 (b)(11) and (c)(3)), that require, among other things, a derivatives clearing organization (“DCO”) to establish a risk management committee that functions in an advisory capacity to the entity’s Board on all matters that may materially impact the DCO. As such, CCD amended the RiskCo Charter, effective May 31, 2024, to align the RiskCo’s role and responsibilities with the new CFTC risk governance requirements, including its mandate to act in an advisory capacity to the Board. Specifically, the RiskCo will provide advice to the Board on any matter that may materially impact the risk profile of Cboe Clear Digital as a DCO, which includes, among other things, material changes to Cboe Clear Digital’s risk models; default management procedures; financial resources; and credit risk management, as well as material revisions to CCD policies governing the framework, testing, and calculation, as applicable, of the aforementioned matters. The Board, in consultation with the RiskCo and consideration of the RiskCo’s input, has the authority to approve any such recommended changes.

Description of the Amendment

The Amendment revises certain CCD policies and procedures to reflect the revised risk governance structure, wherein the RiskCo provides input to the Board on material revisions to applicable CCD policies, and the Board ultimately may approve such changes. Specifically, the Amendment updates the following policies and procedures to reflect the revised RiskCo role, as well as other minor updates:

CCD Acceptable Collateral Policy:

- The Amendment revises the policy to reflect that the RiskCo reviews and recommends to the Board whether the Clearinghouse should accept a new asset as collateral;
- The Amendment updates the policy so that the Chief Risk Officer (“CRO”) is required to inform, rather than seek approval from, the RiskCo and the Board regarding removal of an asset from the list of acceptable collateral, a generally risk-reducing exercise for the Clearinghouse;
- The Amendment removes the “Responsibilities and Escalation” section of the policy and procedures because it is duplicative of the “Applicability and Scope” section of the policy and the specific procedures, as revised, identified within the policy;¹

CCD Credit Risk Management Policy:

- The Amendment updates language in the policy to align with the Membership Applicant Risk Committee (“MARC”) process, in which any significant membership and participation matters are required to be brought by MARC to the RiskCo for review;
- The Amendment adds language that requires the CRO to communicate material changes to the Net Stress Exposure Threshold methodology to the RiskCo; and
- The Amendment makes explicit that, if an analysis of a large trade portfolio causes the Risk Management department to require a FCM Clearing Member to reduce its positions or if any settlement or margin call is not met in full within the requisite timeframe, then the RiskCo will be notified during their next scheduled meetings, or sooner if the CRO determines that severity of the issue requires the RiskCo’s immediate attention and input. In other cases, having an informed discussion during regularly scheduled meetings may better serve the Clearinghouse than ad-hoc notifications to the RiskCo;

CCD Default Financial Resources Policy:

- The Amendment removes the requirement for RiskCo to approve internal thresholds in relation to Cover 2 Margin Call or intra-month resizing; rather, the CRO will share the internal thresholds and all intra-period changes on an annual basis with the RiskCo; and
- The Amendment updates the notification requirement to RiskCo regarding Protective Measure, Cover 2 Margin Call or intra-month resizing, requiring notification be provided to RiskCo during its regularly scheduled meetings. The Amendment also updates the policy to provide that, in the case of FCM Clearing Member failure to meet Cover 2 Margin Call, the RiskCo may be notified sooner than its next regularly scheduled meeting;

CCD Default Communication Plan:

- The Amendment updates language to clarify that any final decision regarding membership

¹ The Amendment makes this same revision to the CCD Credit Risk Management Policy, the CCD Default Financial Resources Policy, and the CCD Futures Margin Model and Stress Scenarios Governance Policy.

will be made by the Board;

CCD Default Management Plan (“DMP”):

- The Amendment makes updates throughout the DMP to make explicit that the RiskCo reviews and provides input to the Board on DMP issues, and the Board has the ultimate approval authority on such matters;

CCD Product Eligibility Policy:

- The Amendment revises the policy to reflect that the Board approves, with input from the RiskCo, any new products and updates to Products that may materially impact the risk profile of the Clearinghouse, which is consistent with the revised RiskCo Charter; and
- The Amendment adds an “Applicability and Scope” section and “Questions and Ownership” section to the policy;

CCD Risk Management Procedures:

- The Amendment updates certain provisions to reflect RiskCo’s review and input role in the Clearinghouse’s risk governance process;
- Like the change made to the CCD Credit Risk Management Policy, the Amendment updates language in the procedures to align with the Membership Applicant Risk Committee (“MARC”) process, including the Board’s discretionary authority to approve or reject applicants;
- The Amendment also makes the following additional updates to the CCD Risk Management Procedures:
 - The Amendment updates Section 1 of the procedures to note that in instances where the procedures cannot be followed because of a system limitation (e.g., a bug), the issue and any substituted process must be documented;
 - The Amendment updates Section 3.8 and 3.9 to describe how exceptions in the daily approval and file generation process, as well as any identified system issues, should be documented internally;
 - The Amendment updates Section 3.9.5 to make explicit in the procedure that notice filings will be reviewed for indications of FCM mergers or acquisitions that could impact the Default Financial Resources Requirement (“DFRR”) calculations and indicate where all findings from Notice Filings will be documented;
 - The Amendment updates Section 3.10.2 to describe how updates to Stress Scenario configurations will be memorialized;
 - The Amendment updates Section 3.10.3 to add a section regarding the review of annual audited financial statements per the Credit Risk Management Policy with details regarding the specific items to include in such reviews. The Amendment removes the Pre-Trade Risk Limit and Post-Trade Risk Threshold Reviews section because such reviews are already described in Sections 3.3.1. and 3.5.1.

respectively; and

- The Amendment updates Section 3.10.5 to provide that Risk Management staff will attend Joint Audit Committee meetings.

Core Principle Compliance

CCD believes that the Amendment is consistent with the DCO Core Principles under Section 5 of the Act. In particular, CCD believes that the Amendment is consistent with Core Principle O (Governance Fitness Standards) because it aligns the CCD policies and procedures to align with the revised RiskCo mandate, which is aligned with CFTC governance requirements under §39.24. Additionally, CCD believes the Amendment as it applies to the CCD Risk Management Procedures is consistent with Core Principle D (Risk Management) because the procedure, as revised, will continue to ensure that CCD possesses the ability to manage the risks associated with discharging its responsibilities through the use of appropriate, tailored tools and procedures.

Public Information

We have concurrently posted a notice and copy of this submission on the Clearinghouse's website at <https://www.cboedigital.com/regulation/exchange-notices/> under "CFTC Submissions."

Opposing Views

We are not aware of any opposing views to this self-certification.

Certification

Cboe Clear Digital, LLC hereby certifies to the Commodity Futures Trading Commission, pursuant to the procedures set forth in Commission regulation §40.6, that this submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

If you have any questions regarding this submission, please contact the undersigned at the information below.

Sincerely,

/s/ Rebecca Tenuta

Rebecca Tenuta
Assistant General Counsel
rtenuta@cboe.com
(773) 485-7926

Exhibit A
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit B
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit C
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit D
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit E
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit F
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit G
[CONFIDENTIAL TREATMENT REQUESTED]

Exhibit H
[CONFIDENTIAL TREATMENT REQUESTED]