

Corporate & Financial Weekly Digest

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Industry Groups Respond to DOJ Recommendation Regarding Tighter Ownership Restrictions for DCMs, DCOs and SEFs

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The ABA Securities Association, the Clearing House Association, the Financial Services Roundtable, the Futures Industry Association, the International Swaps and Derivatives Association, and the Securities Industry and Financial Markets Association (the Industry Groups) have submitted a comment letter with the Commodity Futures Trading Commission in response to a comment letter submitted by the U.S. Department of Justice (DOJ) urging the implementation of more-stringent rules relating to ownership and conflicts of interest for designated contract markets (DCMs), derivatives clearing organizations (DCOs) and swap execution facilities (SEFs).

The Industry Groups' comment letter urges the CFTC to refrain from imposing limitations on the aggregate voting power that may be held by major dealers and financial institutions in DCMs, DCOs and SEFs. The Industry Groups argue that, contrary to the DOJ's assertion, imposing aggregate voting limitations would decrease rather than promote competition within the markets for derivatives trading and clearing because the ability to offer ownership interests is vital to the ability of newly formed exchanges and clearinghouses to attract the liquidity necessary to successfully compete against incumbents. Furthermore, the Industry Groups argue that aggregate voting limitations are not necessary to prevent abuse and anti-competitive governance arrangements in the industry given the other tools available to the CFTC to monitor and regulate DCMs, DCOs and SEFs. Finally, the Industry Groups also urge the CFTC to avoid imposing burdensome composition requirements with respect to integral board committees of DCMs, DCOs and SEFs, including in particular DCO risk management committees, arguing that doing so will also impede the ability of newly formed exchanges and clearinghouses to attract the participation required to successfully compete against incumbents.

The original DOJ comment letter can be found [here](#).

The Industry Groups' comment letter can be found [here](#).

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