

MEMORANDUM

To: File No. S7-09-19

From: Richard Gabbert, Counsel to Commissioner Hester M. Peirce

Re: Telephone Call with Representatives of One Chicago

On May 29, 2020, Commissioner Hester Peirce and her legal advisor, Richard Gabbert, participated in a telephone call with the following individuals from One Chicago:

- Tom McCabe
- Graham Deese

Participants discussed the proposed amendment to the margin requirements for security futures, including the feasibility of a risk-based alternative. Participants discussed the similarities and differences between single-stock futures and listed options in terms of the risks presented by each type of product and the typical use scenarios for each type of product.

The representatives of One Chicago also explained their disagreement with claims made by other commenters, particularly regarding the nature of the risks posed by each type of product. They explained that single-stock futures more closely resembled an security-based swap on an equity underlier and noted that regulators in other jurisdictions have adopted a risk-based approach to margining these products.

In a follow-up communication, One Chicago reiterated its view that objections raised by options exchanges to the proposed rule reflect a desire to retain a competitive advantage that had been created under the Commodity Futures Modernization Act, even though such an advantage is unnecessary given that the risks of the product are very different: In One Chicago's view, the products create different risk profiles, and their risks are not comparable (for example, given that the former have divided risk while the latter do not). One Chicago also argued, contrary to the options exchanges, that the account in which a single-stock future is held should be irrelevant for margin purposes.