WFE Response to the SEC and CFTC on Portfolio Margining and Cross-Margining of Securities and Derivatives

31 August 2026

Response

Introduction

The World Federation of Exchanges (WFE) welcomes the opportunity to respond to the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) Joint Request for Comment on the further implementation of portfolio margining and cross-margining of securities and derivatives.

The WFE strongly supports the continued development of portfolio margining and cross-margining arrangements for centrally cleared products. Where appropriately designed, these arrangements improve the ability of clearing houses to measure and manage the risks arising from economically related positions. They can also improve collateral efficiency and reduce liquidity demands, while maintaining robust risk management and customer protections.

This response sets out a number of overarching principles that the WFE believes should guide future work in this area.

Support portfolio margining because it strengthens risk management, not just efficiency

Portfolio margining should not be viewed simply as a means of reducing collateral requirements. Its principal benefit is that it allows economically related positions to be assessed holistically rather than in isolation, resulting in a more accurate assessment of the overall risks presented by a portfolio.

Many market participants hold economically related positions across cash and derivatives markets for risk-management purposes. Where appropriate, these positions provide offsets that can improve the management of risk, reduce unnecessary liquidity demands, and contribute to financial stability. Existing cross-margining arrangements also demonstrate that portfolio margining has developed in response to genuine risk-management needs. The objective should therefore be to ensure that clearing houses can recognise appropriate risk offsets while continuing to maintain prudent levels of financial resources under both normal and stressed market conditions.

Additionally, cross-margining arrangements between clearing houses can also enhance transparency on economically related positions held across clearing houses, supporting a more holistic assessment and management of portfolio risk.

Allow appropriate flexibility on products

The WFE does not support a prescriptive regulatory approach that determines in advance which products may or may not be portfolio margined. Clearing houses are responsible for managing the risks associated with the products they clear, and are best placed to make risk-based decisions about whether products exhibit sufficiently robust and durable relationships to justify portfolio treatment.

This assessment should be based on a clearing house's ability to model the risks appropriately, manage liquidity and concentration risks, withstand stressed market conditions, and incorporate the products into existing default-management arrangements. A principles-based framework is better suited to achieving these objectives than one based on a predetermined list of eligible products.

Distinguish clearly between cleared and uncleared products

The WFE's support for expanded portfolio margining relates to centrally cleared products. Portfolio margining between cleared positions operates within a comprehensive framework in which a clearing house manages margin, collateral, default procedures, and mutualised financial resources.

Uncleared bilateral positions raise different valuation, volatility, and correlation considerations that should continue to be considered separately. The WFE does not believe that reforms intended to facilitate portfolio margining between cleared securities and derivatives should then be used as a basis for combining cleared and uncleared exposures.

Retain existing legal and customer protection frameworks that have proven capable

The WFE supports maintaining robust customer protection, legal certainty, and clear treatment of customer collateral.

Existing customer account and segregation frameworks have successfully supported portfolio and cross-margining arrangements and should continue to be used as they provide appropriate protection and operational certainty. In addition, the WFE does not believe that the further expansion of portfolio margining necessitates the creation of new account structures or insolvency regimes. Existing legal frameworks have proven that they can support appropriately designed arrangements.

Facilitate effective regulatory coordination

The WFE encourages the SEC and CFTC to enhance regulatory cooperation to facilitate cross-margining. Efficient and appropriately coordinated regulatory review is particularly important where arrangements involve products or clearing houses subject to the jurisdiction of both agencies. Existing CFTC processes for reviewing new cross-margining arrangements and subsequent enhancements have proven successful, and the WFE would support greater alignment between the agencies' respective approaches where appropriate.

Regulatory coordination should also extend to the interaction with prudential requirements. Although these requirements fall outside the remit of the SEC and CFTC, it is important to note that, even where cross-product margining is permitted and offered by a clearing house, its benefits may be undermined if bank capital requirements do not adequately recognise the resulting reductions in risk and margin. As previously highlighted by the WFE, this can unnecessarily increase clearing costs and reduce incentives for clearing members to provide or expand client clearing services. While recent reforms in certain jurisdictions have begun to address this issue, progress remains partial and uneven. The WFE therefore takes this opportunity to encourage relevant prudential authorities and international standard setters to ensure that capital frameworks appropriately recognise the risk-reducing effects of cross-product margining.

Conclusion

The WFE welcomes the decision to undertake this review. Portfolio margining has been successfully implemented across a range of regulatory frameworks, and has proven to strengthen risk management, improve the efficient use of collateral, and contribute to the resilience of financial markets. The WFE believes future reforms should coalesce around proven customer protections and legal frameworks, maintain a clear distinction between cleared and uncleared positions, and allow clearing houses appropriate discretion to determine eligible cleared products based on sound risk-management principles. The WFE welcomes continued engagement with the SEC and CFTC as this work progresses.

Background

Established in 1961, the World Federation of Exchanges (WFE) is the global industry association for exchanges and central counterparties (CCPs). Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 39% are in Asia-Pacific, 42% in EMEA, and 19% in the Americas.

The WFE's 74 member clearing and settlement services collectively ensure that risk takers post some $1.4 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 41,000 listed companies, and the market capitalisation of these entities is over $137 trillion; around $198.5 trillion (EOB) in trading annually passes through WFE members (at end 2025).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators, and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair, and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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