



July 23, 2024

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

Re: Cboe Clear Digital, LLC Rule Certification
Submission Number CCD-2024-09C

Dear Mr. Kirkpatrick:

Cboe Clear Digital, LLC (“CCD” or “Clearinghouse”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (“CEA” or the “Act”), hereby submits, pursuant to §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to its: Futures Margin Model and Stress Scenarios document, which includes CCD’s Margin Model (i.e., margin methodology) and stress scenarios for margined futures contracts on bitcoin and ether (“Products”) (“Amendment”). The CCD Margin Model and Stress Scenarios document is set forth in a segregated confidential **Exhibit A** to this submission. The Amendment will become effective on August 6, 2024.

Description of the Amendment

The CCD Margin Model (or “Model”) and Stress Scenarios document (“Document”) describes the construction and backtesting of CCD’s Margin Model for the Products, as well as an overview of calibration of stress scenarios that are used by the Clearinghouse to measure credit exposure to Clearing Members. Cboe Clear Digital performs daily margin adequacy testing and periodic review of the Model performance. Model and Stress Scenario configurations may be adjusted periodically on the basis of those reviews as well as prevailing market conditions.

Given the dynamic nature of daily testing and periodic review, the Amendment updates the Document to limit the scope of the document to the Model’s theoretical specifications and to core Model parameters, including 1) margin period of risk, 2) historical data lookback period, 3) tail risk coverage and confidence interval, 4) filtered returns (i.e., FHS VaR) Exponentially Weighted Moving Average (“EWMA”) warm-up period, and 5) EWMA smoothing factor. In limiting the scope of the document to theoretical specifications and core parameters, the Amendment removes the following from the scope of the Document: 1) actual, most recent Model backtesting results; and 2) production configurations (which includes, Model and Stress Scenarios specific calibrations, Model adjustments, specific, named data sources and third-party indexes used, current margin and spread requirements). CCD notes that its CCD Margin Model and Stress Scenarios

Governance Policy governs internal decision-making, review and implementation of Model and Stress Scenarios configurations and that CCD documents and maintains backtesting results and production configurations in separate internal documents. In light of the updates to limit the scope of the Document, the Amendment also removes certain definitions and references to certain policies and procedures from the Document that will no longer be used or referenced throughout the Document.

The Amendment also makes overall clarifying and streamlining updates to the Document, by:

- Revising and streamlining certain terms and definitions in the “Definitions” section for clarity;
- Adding a Margin Model Workflow diagram;
- Making the description of volatility scaling and EWMA, the 2-day return process, and spot tail risk calculation, among other subsections under the “Margin Model Overview” section, clearer and more precise, and removing duplicative information and explanation in light of the enhanced clarity and precision;
- Revising the section on Risk Basis Adjustment to account for and describe a single applicable “Basis” adjustment;
- Simplifying the Intra Commodity Offset calculation and adjusting the definition and language related to the Intra Commodity Offset calculation to better align with CME SPAN naming conventions;
- Providing more explicit steps for calculation of maintenance margin and stress scenarios calibrations; and
- Replacing tables that reflect actual, recent Model and Stress Scenarios configurations, adjustments, and backtest results, with tables that instead reflect illustrative examples of these Model and Stress Scenarios components.

Additionally, the Amendment removes the “Concentration Add-On” section from the Document. This add-on is not a core measure of market risk exposure in and of itself and, instead, is a function of parameters such as market volume, liquidity as well as clearing member portfolios. Such an add-on is not considered part of the Model backtesting and performance evaluation pursuant to § 39.13. Add-on configurations are documented and maintained internally by CCD.

Core Principle Compliance

CCD believes that the Amendment is consistent with the DCO Core Principles under Section 5 of the Act; in particular, DCO Core Principle D (Risk Management) as the Amendment ensures that the CCD Margin Model and Stress Scenarios document is enhanced in a manner that continues to assist CCD in managing the risks associated with discharging its responsibilities through the use of appropriate, tailored tools and procedures, including measurement of exposure, limitation of exposure to potential losses from defaults, margin requirements, and requirements regarding models and parameters.

Public Information

A notice and copy of this submission has been concurrently posted on Cboe Digital's website at <https://www.cboedigital.com/regulation/exchange-notices/> under "CFTC Submissions."

Opposing Views

CCD is not aware of any opposing views expressed regarding this Amendment.

Certification

CCD hereby certifies to the Commission, pursuant to the procedures set forth in Commission regulation §40.6, that this submission complies with the CEA, as amended, and the regulations promulgated thereunder.

Please contact me if you have any questions or wish to discuss this matter further.

Sincerely,

/s/ Rebecca Tenuta

Rebecca Tenuta
Assistant General Counsel
rtenua@cboe.com

Exhibit A

[CONFIDENTIAL TREATMENT REQUESTED]