Global Foreign Exchange Division
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TO:
Mr. David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW.
Washington,
DC 20581

22 February 2011

Re: RIN 3038-AD20 – 17 CFR Part 49 – Swap Data Repositories
RIN 3038-AD19 – 17 CFR Part 45 – Swap Data Recordkeeping and Reporting Requirements
RIN 3038-AD08 – 17 CFR Part 43 – Real-time Public Reporting of Swap Transaction Data

Dear Mr. Stawick

The Global Foreign Exchange Division was formed in co-operation with the Association for Financial Markets in Europe (“AFME”), the Securities Industry and Financial Markets Association (“SIFMA”) and the Asia Securities Industry and Financial Markets Association (“ASIFMA”). Its members comprise 21 global FX market participants\(^1\), collectively representing more than 85% of the FX market\(^2\).

The Global Foreign Exchange Division is committed to ensuring a robust, open and fair market place. We welcome the efforts of the Commodity Futures Trading Commission (the “Commission”) to enhance regulatory oversight and promote greater transparency and are keen to stress that the Global Foreign Exchange Division and its members are committed to supporting the establishment of an SDR to accommodate the foreign exchange asset class. Accordingly, we welcome the opportunity to submit further additional comments on the Notice of Proposed Rulemaking in respect of Swap Data Repositories, Swap Data Recordkeeping and Reporting and Real Time Reporting of Swap Transaction Data (together referred to herein as the “SDR rules”) as issued by the Commission to implement provisions of Title VII of the Dodd-

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2 According to Euromoney league tables
Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). This letter is supplemental to our previous submissions on the proposed swap data repository ("SDR") rules and is intended to clarify and further explain certain comments.

1. **Asset class definitions**

The proposed rules define the currency swap asset class based on the following definition:

> “Currency swap” means any swap which is primarily based on rates of exchange between different currencies, changes in such rates, or other aspects of such rates. This category includes foreign exchange swaps as defined in CEA Section 1a(25).

The proposed rules further state that this asset class includes FX swaps and their variations. We would welcome clarification from the Commission as to what products it believes to be covered by the currency asset class.

We have assumed that FX swaps are covered under the currency asset class and that therefore the following products would be covered within this asset class:

- FX forwards (T+3 or greater)
- FX swaps
- FX options
- Non-deliverable forwards and options

As commented in our previous letter, we do not consider cross-currency swaps to belong in the currency asset class. FX swaps are distinct from cross currency swaps. Cross currency swaps are interest rate products with multi payment schedules, traded by interest rate desks with interest rate market participants; captured and managed in interest rate systems infrastructure with interest rate conventions. FX swaps are foreign exchange products, traded by distinct FX desks with different market participants using different internal and external systems infrastructure. As such, cross currency swaps should be reported in the interest rate asset class while FX swaps should reported in the currency asset class.

2. **Inter-affiliate transactions**

Given the high volume of transactions in FX compared to any other asset class, we believe that for reporting purposes, the Commission should include only transactions settling with an unaffiliated third party. Many millions of trades occur daily between different affiliates of the same institution which are not relevant to that institution’s external market positioning and would increase ticket volumes at any SDR significantly. We would also point out that FX is used to manage balance sheet and foreign asset exposures for income attribution, which under this rule would be subject to reporting. We do not believe that reporting inter-affiliate trades will achieve the Dodd-Frank goals of reducing systemic risk and increasing transparency. Inter-affiliate trades represent allocation of risk within a corporate group and do not give rise to the same systemic risk issues that are raised by trades by one corporate group with another. Also, reports about inter-affiliate FX trades will not give meaningful indications about the overall FX market or the overall exposure of the relevant corporate group. We would appreciate the Commission
confirming that inter-affiliate foreign exchange trades are not subject to the reporting requirements.

3. Aggregation of trades below a certain notional threshold

Following the initial phase of reporting, and providing there would be no continuing carve-out for smaller trades, we would recommend the Commission allow reporting counterparties the option of aggregating smaller trades to reduce the reporting burden. Trades could be aggregated by relevant criteria, for example, by currency-pair, trade-date, value-date, counterparty and/or direction (average buys/average sells; the average buys/average sells is used so to obtain a true FX trade without odd rates or amounts in either of the aggregated currencies). Aggregation might then occur by time of day (e.g. before end of day in each region), up to a pre-defined total notional exposure for each counterparty and/or for trades not greater than a pre-defined size e.g. USD 1m (if an input ticket is too large it would be passed through without aggregation). It may also be possible to use number of tickets in the aggregate as a cut-off in order to accommodate the IT capabilities of the receiving systems. Note that the Commission would still have access to the underlying trades via a reporting counterparty’s record keeping. Alternatively, a separate data store for micro-trades could be set up within the SDR that would be used solely to store transactions whilst the aggregate was used for general reporting.

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We appreciate the opportunity to share our views on the proposed rules relating to SDRs. Please do not hesitate to contact me at +44 (0) 207 743 9319 or at james.kemp@afme.eu should you wish to discuss any of the above.

Yours sincerely,

James Kemp
Managing Director
Global Foreign Exchange Division