

August 24, 2012

VIA ELECTRONIC MAIL: secretary@cftc.gov
c/o David A. Stawick, Secretary

Commodity Futures Trading Commission

Chairman Gary Gensler
Commissioner Jill E. Sommers
Commissioner Bart Chilton
Commissioner Scott D. O'Malia
Commissioner Mark P. Wetjen

With copies to:

Office of The General Counsel
Dan M. Berkovitz, General Counsel

Division of Swap Dealer and Intermediary Oversight
Gary Barnett, Director
Frank N. Fisanich, Chief Counsel

Re: Potential Applicability of Commodity Pool Regulation to Securitization Transactions

Dear Chairman Gensler and Commissioners Sommers, Chilton, O'Malia and Wetjen:

The Association for Financial Markets in Europe ("AFME"), described in Annex I to this letter, supports the request by our affiliated association, the Securities Industry and Financial Markets Association ("SIFMA"), that the U.S. Commodity Futures Trading Commission ("Commission" or "CFTC"), or its staff, provide interpretative guidance and other appropriate relief regarding securitization transactions in light of amendments to the Commodity Exchange Act (as amended, the "CEA") by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). AFME joins with SIFMA in the arguments and requests set out in SIFMA's letter addressed to you and dated August 21, 2012 (the "SIFMA Letter"). In addition, AFME wishes to point out the importance of the U.S. investor base to European securitizers, and of European securitized assets for U.S. investors.

This letter and the SIFMA Letter outline the problems we believe are posed for the securitization markets, their participants and investors, and the accompanying materials provide additional information regarding the securitization markets and the volume of outstanding transactions. Given the imminent effectiveness of the relevant new provisions of the CEA and related regulations, and the immediate chilling effect AFME expects they would have on the securitization markets in the absence of clarifying guidance, we request a meeting at your earliest convenience to discuss the interpretive clarifications and other relief sought.

Association for Financial Markets in Europe

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AFME and SIFMA position

AFME concurs with the statements in the SIFMA Letter, in particular to the effect that:

- Securitization is an important component of the global financial markets and provides benefits for issuers, investors, companies and consumers.
- Securitizations are different from “commodity pools” (as that term is generally understood and certainly as it was defined prior to enactment of the Dodd-Frank Act) and should not be treated as commodity pools under the CEA’s revised definition.
- Treating securitizations as commodity pools, and possibly subjecting securitization participants to regulation under the CEA as commodity pool operators and commodity trading advisors, would raise significant problems of interpretation, application and compliance, discourage parties from entering into securitizations and related derivatives transactions, and, at a minimum, impose substantial cost, timing and regulatory burdens on these transactions without any discernable regulatory benefit.
- Such regulation would also discourage companies and financial institutions outside the U.S. from structuring securities to be offered in the U.S. or to U.S. investors; this would decrease investment diversification opportunities for U.S. institutional investors and curtail non-U.S. securitizers’ access to a very important source of financing, with unintended and adverse effects on global capital markets.

U.S. investment in non-U.S. securitization

AFME members are especially concerned about the potential effects of applying U.S. commodity pool regulation to securitizations originated outside the U.S. and backed by non-U.S. assets. Such transactions are an important source of funding for European banks and other financial institutions and in turn for their corporate customers and consumers. In many cases all or a portion of the senior securities issued in such transactions are offered in the U.S. or to U.S. institutional investors, usually pursuant to Rule 144A under the Securities Act of 1933, as amended. Normally those securities are denominated in U.S. dollars and the securitization vehicle enters into one or more currency swap transactions to protect the vehicle and its investors against currency exchange rate risk. The vehicle may also enter into interest rate swaps or basis swaps to bridge interest rate index or timing differences. Those swap transactions are incidental to the securitization financing of the underlying assets and should not subject the securitization vehicle, and its originator, sponsor or other parties dealing with it, to U.S. commodity pool regulations.

European securitizations have similar characteristics to those described in the SIFMA Letter, although of course specific structural features vary to reflect the characteristics of local markets, laws, regulations, assets, origination and underwriting practices and issuers’ and investors’ requirements and expectations. In addition to the examples mentioned in the SIFMA Letter, they include U.K. residential mortgage-backed securities (RMBS) master trust and credit card master trust programs, which purchase additional receivables and may issue additional debt from time to time. These programs are an

important source of funding for the U.K. residential mortgage and consumer finance markets and in particular for U.K. banks and other financial institutions.

AFME members recently compiled data, set out in Annex II, which illustrates the importance of the U.S. financial markets to non-U.S. securitizers. For example, in relation to U.K. RMBS master trust and credit card master trust securities, backed by GBP-denominated assets originated by major U.K.-based banks, since February 2011 more than USD 34 billion of such securities were placed with U.S. investors. More than one-third of this total – around USD 10.7 billion – was issued in the first seven months of 2012. In eleven cases (seven since the start of 2012), 100 percent of the issue was placed with U.S. investors. All these transactions had to use currency swaps to hedge the risk between the GBP-denominated assets and the USD-denominated bonds issued. The prospect of this critical pool of liquidity being cut off by inappropriate commodity pool regulation therefore raises serious and material concerns for our members.

Access to the U.S. market is also very important for European asset-backed commercial paper (ABCP) conduits, which purchase trade receivables, consumer finance assets and other financial assets from European and other manufacturers, companies and financial institutions. European conduits had over USD 72 billion of USD commercial paper outstanding during 2011. See “ABCP Table A” in Annex II. When outstandings are converted to one currency (EUR) for comparison purposes, this USD issuance represents over 54 percent of ABCP outstanding, by far the largest share of the European ABCP conduit market and more than double the amount actually issued in EUR. See “ABCP Table B” in Annex II.

Given the importance of U.S. investment in the European securitization market, our members are very concerned about the potential application of U.S. commodity pool regulations to these transactions.

Request for discussions

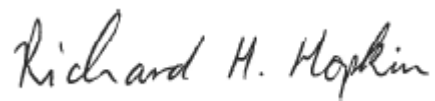
In light of the foregoing, AFME wishes to discuss with the CFTC (or its staff) the need for clarifying guidance or other relief which may include:

- interpretative guidance regarding securitization transactions in light of the Dodd-Frank Act amendments to the CEA definitions of “commodity pool”, “commodity pool operator” and “commodity trading advisor”;
- for any category of securitization entities that the CFTC considers to be “commodity pools”, clarification and, if necessary, reduction or modification of reporting and other requirements to make them workable and not misleading in a securitization context; and
- harmonization with other regulations under the Dodd-Frank Act and other laws (including regulations implementing the Volcker Rule and Regulation AB2) to avoid conflicting regulatory requirements.

We greatly appreciate your consideration of the views set forth in this letter, and look forward to the opportunity to discuss these matters further with the Commission and

its staff. Please contact Richard Hopkin in London by telephone at 011-44-20-7743-9375 or by e-mail at richard.hopkin@afme.eu.

Yours sincerely,

A handwritten signature in black ink that reads "Richard H. Hopkin". The signature is written in a cursive, slightly slanted style.

Richard H. Hopkin
Managing Director

Annex I

The Association for Financial Markets in Europe

The Association for Financial Markets in Europe (“AFME”) represents a broad array of European and global participants in the wholesale financial markets, and its 197 members comprise all pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME was formed on 1 November 2009 by the merger of the London Investment Banking Association and the European operations of the Securities Industry and Financial Markets Association (“SIFMA”). AFME provides members with an effective and influential voice through which to communicate the industry standpoint on issues affecting the international, European, and UK capital markets. AFME is the European regional member of the Global Financial Markets Association (GFMA) and is an affiliate of the U.S. Securities Industry and Financial Markets Association (SIFMA) and the Asian Securities Industry and Financial Markets Association (ASIFMA). For more information, visit the AFME website www.afme.eu.

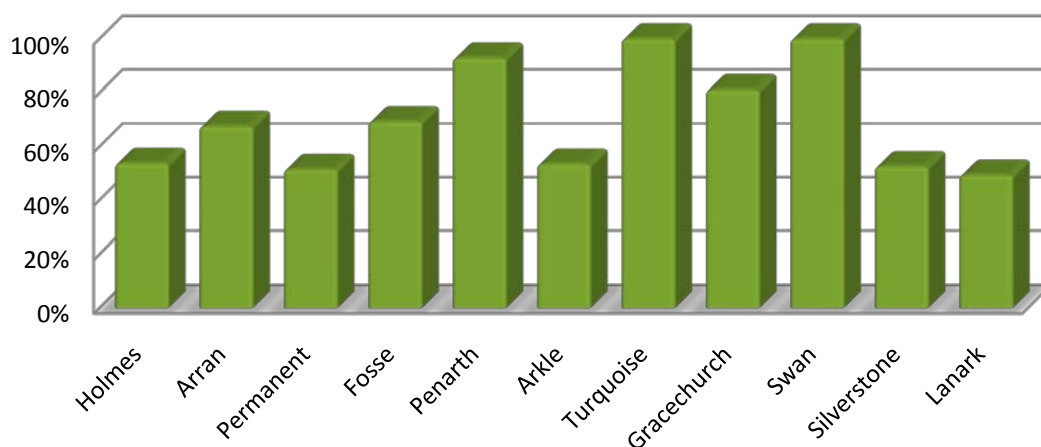
Annex II

USD Denominated UK RMBS & Cards issuance since 2011						
Date	Issuer	Seller	Collateral	AAA EUR mn	of which USD	% USD
2-Feb-11	Holmes	Santander	RMBS	2,400	869	36%
6-Apr-11	Arran	RBS	RMBS	4,282	740	17%
14-Apr-11	Permanent	Lloyds	RMBS	4,136	1,795	43%
18-May-11	Fosse	Santander	RMBS	4,276	2,650	62%
2-Jun-11	Penarth	Lloyds	CARDS	659	518	79%
21-Jul-11	Arkle	Lloyds	RMBS	2,734	2,111	77%
15-Sep-11	Holmes	Santander	RMBS	2,730	2,342	86%
6-Oct-11	Turquoise	HSBC	CARDS	372	372	100%
7-Oct-11	Gracechurch	Barclays	CARDS	748	748	100%
10-Oct-11	Arran	RBS	RMBS	3,262	2,790	86%
13-Oct-11	Silverstone	Nationwide	RMBS	12,851	2,359	18%
26-Oct-11	Permanent	Lloyds	RMBS	3,557	2,121	60%
11-Nov-11	Gracechurch	Barclays	RMBS	2,767	2,110	76%
15-Nov-11	Penarth	Lloyds	CARDS	443	443	100%
29-Nov-11	Fosse	Santander	RMBS	1,302	1,202	92%
21-Dec-11	Swan	Lloyds	RMBS	383	383	100%
13-Jan-12	Arran	RBS	CARDS	947	947	100%
18-Jan-12	Holmes	Santander	RMBS	2,646	777	29%
3-Feb-12	Arkle	Lloyds	RMBS	4,733	1,406	30%
5-Mar-12	Gracechurch	Barclays	CARDS	340	340	100%
15-Mar-12	Silverstone	Nationwide	RMBS	1,805	1,565	87%

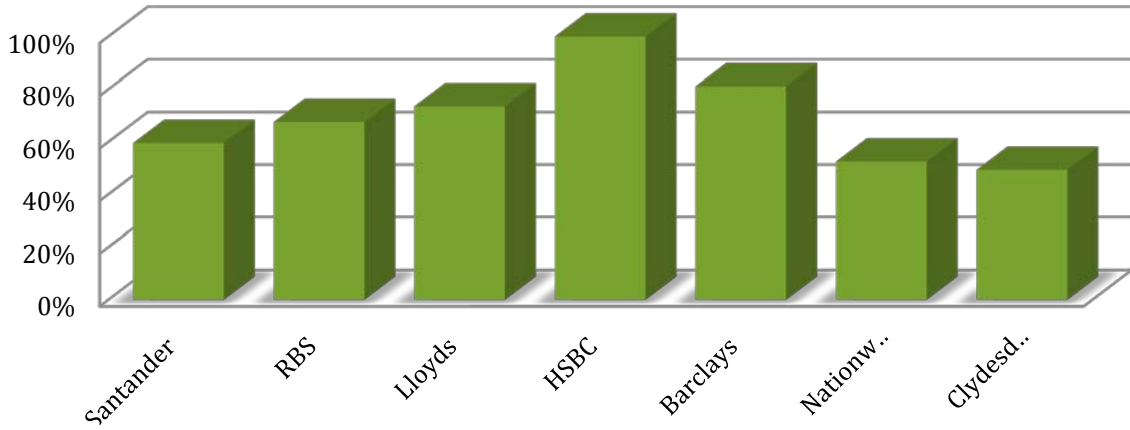
USD Denominated UK RMBS & Cards issuance since 2011

Date	Issuer	Seller	Collateral	AAA EUR mn	of which USD	% USD
04-Apr-12	Penarth	Lloyds	CARDS	571	571	100%
12-Apr-12	Holmes	Santander	RMBS	949	949	100%
16-May-12	Fosse	Santander	RMBS	2,558	1,373	54%
18-May-12	Gracechurch	Barclays	CARDS	469	469	100%
30-May-12	Holmes	Santander	RMBS	645	113	18%
07-Jun-12	Gracechurch	Barclays	CARDS	577	577	100%
14-Jun-12	Gracechurch	Barclays	RMBS	3,807	397	10%
22-Jun-12	Turquoise	HSBC	CARDS	597	597	100%
20-Jul-12	Lanark	Clydesdale	RMBS	1,333	658	49%

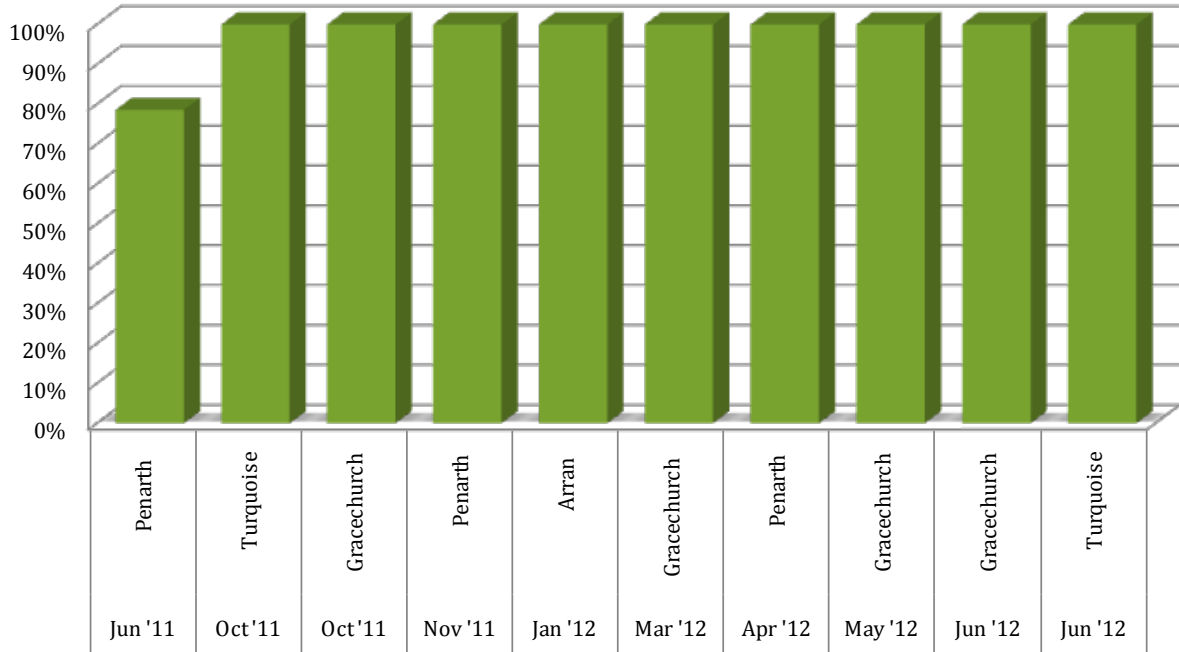
% USD denominated in issuance



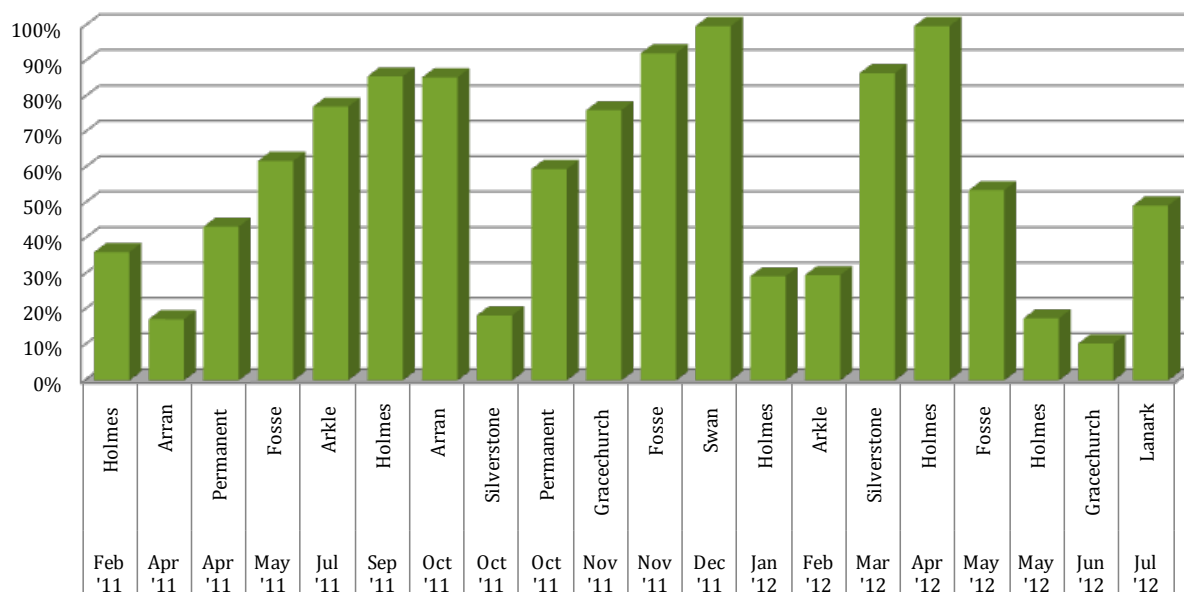
% including USD - by bank/sponsor



% including USD - Credit Cards



% including USD - RMBS



ABCP Table A

European Conduits ABCP Outstanding By Currency			
Currency	ABCP outstanding (in millions by currency)		% change
	Dec-10	Dec-11	
US\$	99,671	72,440	(27.3)
Euro	25,208	27,414	8.8
British pound-sterling	18,228	16,544	(9.2)
Swiss franc	40	80	100.0
Swedish krona	232	162	(30.2)
Australian \$	40	0	(100.0)

Source: Standard & Poor's

ABCP Table B

European Conduits ABCP Outstanding Converted to Euros (€)							
Currency	ABCP outstanding		% of total		% of change		
	(mil. €)						
	Dec-10	Dec-11	Dec-10	Dec-11	Total	Currency of issuance	Currency conversion
US\$	74,465	55,930	61.5	54.1	(24.9)	(27.3)	3.3
Euro	25,208	27,414	20.8	26.5	8.8	8.8	0.0
British pound-sterling	21,262	19,860	17.6	19.2	(6.6)	(9.2)	2.9
Swiss franc	32	66	0.0	0.1	105.1	100.0	2.5
Swedish krona	26	18	0.0	0.0	(29.7)	(30.2)	0.7
Australian \$	31	0	0.0	0.0	(100.0)	(100.0)	3.1
Total	121,023	103,287	100.0	100.0	(14.7)	(16.8)	2.6

Source: Standard & Poor's