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- **17 CFR Part 23**
- **RIN Number 3038–AC96**
- **Swap Trading Relationship Documentation Requirements for Swap Dealers and Major Swap Participants**

Dear Mr. Stawick.

Thank you for giving us the opportunity to comment on your notice of proposed rulemaking: Swap Trading Relationship Documentation Requirements for Swap Dealers and Major Swap Participants.

You are proposing regulations to implement new statutory provisions established under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Section 731 of Dodd-Frank added a new section 4s(i) to the Commodity Exchange Act (CEA), which requires the CFTC to prescribe standards for swap dealers (SDs) and major swap participants (MSPs) related to the timely and accurate confirmation, processing, netting, documentation, and valuation of swaps. The proposed rules would establish requirements for swap trading relationship documentation for swap dealers and major swap participants.

I would like to comment on your swap valuation proposals. Swap dealers and major swap participants would be required to maintain written documentation on the “methods, procedures, rules and inputs for determining the value of each swap at any time”. Although the proposed rules do not prescribe a specific valuation method, the agreed methods, procedures, rules and inputs would be required to constitute a “complete and independently

verifiable methodology for valuing each swap entered into between the parties”. I strongly support these proposals, which will increase transparency, operational efficiency and assist in the early and objective resolution of swap valuation disputes. The proposals additionally require that the methodology must include alternatives “in the event that one or more inputs to the methodology become unavailable or fail”. I agree with this as a common sense proposal, and suggest that the proposed rules support the requirement for SDs and MSPs to “resolve a dispute over the valuation of a swap within one business day”.

In response to your specific questions I would add that the valuation methodology provision in § 23.504(b)(4) should allow the use of internal and/or proprietary inputs and methods, subject to the SD or MSP being required to disclose such information, and the sources thereof, to the counterparty and regulators in sufficient detail for them to undertake comparative analysis of such information and verify the valuation calculations. I would strongly recommend not to prescribe any valuation methodology, and I prefer freedom with disclosure here. This would seem to be achievable given the requirement that the methodology should be “complete and independently verifiable”. In any event, certain swaps rely on internal and/or proprietary inputs and methods for their valuation, and restricting this practice would be detrimental to market innovation and efficiency.

Yours sincerely

Chris Barnard