

From: Jeff Ramsey <JRamsey@geneva-trading.com>
Sent: Friday, September 10, 2010 9:46 AM
To: dfadefinitions <dfadefinitions@CFTC.gov>
Subject: Geneva Trading Comment Letter on File No. S7-16-1, Swaps Definitions
Attach: Geneva Comment Letter File S7 16 1.pdf

Dear Secretary Stawick:

Attached please find Geneva Trading USA LLC's comments on Definitions Contained in Title VII of Dodd-Frank Wall Street Reform and Consumer Protection Act (Swaps), File No. S7-16-1.

Best Regards,

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September 9, 2010

Mr. David A. Stawick
Secretary
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Definitions Contained in Title VII of Dodd-Frank Wall Street Reform and Consumer Protection Act (Swaps), File No. S7-16-1.

Dear Mr. Stawick:

Geneva Trading USA, LLC and our affiliate companies (together "Geneva") appreciate the opportunity to comment on the joint rulemaking and definition-setting initiative for swaps and swap market participants by the CFTC and SEC as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Geneva wishes to draw both commissions' attention to the risk differences between swap dealers who deal exclusively in exchange-defined and cleared over-the-counter ("OTC") swaps and those dealers who operate in the direct bilateral swap market. We believe it is in the best interests of the CFTC, the SEC, and the global markets that any new rules or definitions do not unnecessarily hinder the operation of a vital segment of those global markets and their related economies.

Geneva is a proprietary trading firm based in Chicago, Illinois. Among other activities, we are active participants in the energy markets, providing substantial liquidity by making markets on electronic exchanges and in cleared OTC energy swaps.

One way Geneva mitigates risk is to trade only exchange-defined and cleared products, including OTC swaps, such as the over 500 energy-related OTC products listed by CME Group's Clearport® facility. These products use the central counterparty clearing model, which serves to eliminate counterparty risk and fully margin all exposures. In contrast to bilateral swaps (which would include the majority of the credit default swaps that were a significant contributor to the recent financial crisis), where the counterparties negotiate collateral, assess credit risk, and define key transaction parameters, cleared OTC swaps are subject to the exchange models of credit assessment, margining, and standard specifications. Additionally, clearing members of these exchanges are subject to rigorous credit analysis and ongoing financial reporting, and in turn require margin and credit analysis of their customers. For entities that exclusively trade exchange cleared swaps, all positions are marked to market and assessed a margin at the end of

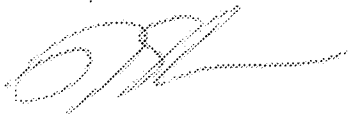
each trading day. Further, each day the respective clearing house verifies that liquid capital is more than sufficient to cover extreme market swings.¹

Swap dealers and major swap participants dealing primarily in direct bilateral swaps present a very different risk profile to the financial markets than cleared-only swap participants like Geneva. Therefore, we strongly believe that entities and traders who only trade cleared OTC swaps should be exempt from swap dealer definitions and restrictions beyond what is required under current regulations. This will ensure that these OTC products, which can be the primary vehicles used by energy producers and end-users to hedge their financial risk, have sufficient liquidity and enough participants to provide the most efficient operation of these markets.

If the increased capital and margining requirements contemplated by Dodd-Frank to address the issues caused by dealers in direct bilateral swaps apply to cleared-only swap dealers, it would needlessly drive participants out of these markets, decreasing liquidity while increasing volatility and costs to all energy users. Geneva's proposal treats market participants according to the risk they present to the stability of the financial system and allows for appropriate calibration of capital, reporting, and margin requirements.

Geneva greatly appreciates the opportunity to submit our views on these important issues before the CFTC and SEC. Do not hesitate to contact us at (312) 587-7000 if you have any questions regarding the comments in this letter.

Sincerely,



Robert S. Creamer
President

¹ See Bliss, Robert R and Storgerswald, Robert S., 2006 "Derivatives clearing and settlement: A comparison of central counterparties and alternative structures," *Economic Perspectives*, Vol. 30, No. 4, 4Q, pp. 22-29, for a general discussion of the benefits of central clearing compared to other settlement methodologies.