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**Futures Industry Association**

2001 Pennsylvania Ave. NW  
Suite 600  
Washington, DC 20006-1823

202.466.5460  
202.296.3184 fax  
[www.futuresindustry.org/ptg](http://www.futuresindustry.org/ptg)

January 24, 2011

Via E-mail ([www.comments.cftc.gov](http://www.comments.cftc.gov))

Commodity Futures Trading Commission  
c/o David A. Stawick, Secretary  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, D.C. 20581

**Re: RIN 3038-AC96 Implementation of Conflicts of Interest Policies and Procedures by Swap Dealers and Major Swap Participants (75 FR 71391)**

Dear Mr. Stawick:

The Futures Industry Association's (FIA's) Principal Traders Group submits this letter to supplement comments previously provided jointly by the FIA,<sup>1</sup> International Swaps and Derivatives Association, Inc. (ISDA), and Securities Industry and Financial Markets Association (SIFMA).<sup>2</sup> In particular, the PTG wishes to express its support for the Commission's effort to address the potential conflicts of interest that may arise between an FCM providing clearing services to customers and the business trading unit personnel of an affiliated swap dealer or major swap participant.<sup>3</sup>

The FIA's Principal Traders Group is composed of firms trading their own capital in exchange-traded markets. Members of the Principal Traders Group engage in automated, manual and hybrid methods of trading and are active in a variety of asset classes, such as futures, equities, foreign exchange, and fixed income. Depending on the eventual market structure of the

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<sup>1</sup> FIA is a principal spokesman for the commodity futures and options industry. FIA's regular membership is comprised of approximately 30 of the largest futures commission merchants in the United States. Among its associate members are representatives from virtually all other segments of the futures industry, both national and international. Reflecting the scope and diversity of its membership, FIA estimates that its members effect more than eighty percent of all customer transactions executed on United States designated contract markets. For more information, visit [www.futuresindustry.org](http://www.futuresindustry.org).

<sup>2</sup> Letter from the FIA, International Swaps and Derivatives Association, Inc., and Securities Industry and Financial Markets Association to David Stawick, Secretary, Commodity Futures Trading Commission, dated January 18, 2011.

<sup>3</sup> 75 Fed. Reg. 71391 (Nov. 23, 2010).

Some members of the Principal Traders Group may choose to provide clearing services to swap dealers based on a firm's willingness and ability to provide liquidity in the swaps market. The costs associated with registering as a swap dealer, and complying with requirements applicable to swap dealers, as well as the absence of other barriers to entry to the swaps market.

In this regard, the FIA's Principal Traders Group strongly supports the Commission's efforts to implement the core principle of open access by proposing rules that would mitigate against potential bias or interference in relation to providing clearing services. To provide liquidity in the swaps market, new swap dealers will need to be able to enter into clearing arrangements with FCMs or become direct clearing members of swaps DCOs. We strongly urge the Commission to adopt a rule that would prevent interference by business trading units of swap dealers and MSPs with the decisions regarding whether to accept a client for clearing services. In this regard, we support the alternative rule to Proposed Rule 23.605(d) suggested by the FIA, ISDA and SIFMA in their joint letter and requests for clarification and believe they are consistent with the Commission's goals of preventing interference by business trading units of swap dealers and major swap participants with the decisions regarding whether to accept a client for clearing services.

\* \* \* \*

The FIA's Principal Traders Group appreciates the opportunity to provide comments to the Commission regarding Proposed Rule 23.605(d), and we would be pleased to discuss any questions or comments the Commission might have with respect to this letter. Any questions about this letter may be directed to [Barbara Wierzynski, FIA's Executive Vice President and General Counsel, at \(202\) 466-5460.](#)

Sincerely,



John M. Damgard  
On Behalf of the FIA Principal Traders Group

cc: Honorable Gary Gensler, CFTC, Chairman  
Honorable Michael Dunn, CFTC, Commissioner  
Honorable Jill E. Sommers, CFTC, Commissioner  
Honorable Bart Chilton, CFTC Commissioner  
Honorable Scott O'Malia, CFTC, Commissioner  
Sarah E. Josephson, Associate Director, CFTC, Division of Clearing and Intermediary Oversight  
Ward P. Griffin, Counsel, CFTC, Office of General Counsel