REVAL®

February 7, 2011

David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

Re: Real-Time Public Reporting of Swap Transaction Data; Proposed Rule
17 CFR Part 43 RIN 3038–AD08

Dear Mr. Stawick:

Reval.com, Inc. ("Reval") appreciates the opportunity to submit its comments in response to the Commodity Futures Trading Commission's ("Commission" or "CFTC") December 7, 2010, 17 CFR Part 43 RIN 3038–AD08 Real-Time Public Reporting of Swap Transaction Data; Proposed Rule ("Rule").

Reval would like to commend the CFTC and its staff for trying to tackle a very challenging and important task of creating transparency around the private nature of OTC derivative contracts.

Executive Summary

Reval® provides financial and accounting professionals with an award-winning Web-based platform that supports derivative risk management and hedge accounting. This Software-as-a-Service addresses the need for derivatives to comply with international regulations, such as FAS 133, FAS 157, Sarbanes-Oxley, IAS 39 and IFRS 7. Over 500 of the world's leading corporations, financial institutions, and accounting and advisory firms rely on Reval to provide independent valuations of derivative transactions and to assist with the hedge accounting of foreign exchange, interest rates, energy, credit, commodities, and other asset classes. Reval uses its expert teams comprising financial engineers, accounting professionals, and technologists to deliver its critically acclaimed services and products. Founded in 1999, Reval has headquarters in New York and regional centers based in Bala Cynwyd, Chicago, San Francisco, Toronto, London, Frankfurt, Graz (Austria) Sydney, Hong Kong, and Gurgaon (India).

Reval is uniquely positioned to be an SDR as it currently acts as a data warehouse across asset classes defined as Swaps under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act", "Dodd-Frank") and can provide valuation, risk and necessary reporting, conveniently over the Internet. As such, Reval fully intends to register to become an SDR.

As one of the duties of the SDR will be to provide real-time reporting of Swap transaction data, Reval is compelled to comment on this Rule, and after much consideration feels the need to address the core issue of the value the proposed system for transparency will actually provide, rather than comment on the Rule, section by section.

The Need for Transparency

Without a doubt, the lack of transparency in OTC derivative pricing needs to be improved, and Reval is not opposed to creating additional transparency as required under Dodd-Frank. However, unlike registered securities, such as equities or bonds which are actively traded for investment or trading purposes by institutions and retail alike, OTC derivatives are non-registered financial instruments that are primarily used by institutions for either hedging or trading risk. While some high net worth individuals may engage in swaps, security-based or otherwise, the primary activity by volume comes from Swap Dealers, Major Swap Participants or Financial Entities, rather than from the End-User category, which represents less than ten percent of trading activity.

Regarding true transparency in transaction reporting and associated price discovery for OTC derivatives, an equity and bond market-like system may not achieve the goals set forth in this Rule. A couple of key practical issues to consider are:

- OTC derivative transactions, unlike equity trades, do not lend themselves to succinct summarization of a few data points that tell the story of the trade. The data fields proposed to be reported in real-time will be cumbersome to display and will not provide enough detail to market participants trying to evaluate a fair price on a similar transaction. In all likelihood, the general public probably would not understand or value much of the data that may be published in real time.

- The transaction data only tell half the picture. The price or rate at which a derivative trades, in many instances, is informative only if one has access to relevant, real-time market data that can be used to assess that traded price or rate.

These points make transparency and real-time reporting even more impractical for non-standard, un-cleared trades than for standardized, cleared trades.

Valuable Real Time Data: High Volume Standardized Trades

In providing transparency to the public, real-time reporting needs to increase transparency to market participants in the hopes of promoting better liquidity and fairer pricing of instruments. Swaps executed on a Swap Execution Facility ("SEF") or cleared by a Derivatives Clearing Organization ("DCO") will most likely capture over eighty percent of the market volume and, from a technology and data standpoint, it would be easier to transmit in real time as the transactions themselves would be occurring at that location. Un-cleared transactions will be less in volume and more customized, and therefore the transaction data will have little value in real time to both market participants and the general public.

SEF

- Exchange-traded instruments should follow reporting similar to that of the futures market
- High volume, standardized products
- Real-time ticker

DCO

- OTC-traded but cleared instruments would have confirmed data that should be reported
- Non-SEF trades between SDs, with MSPs & Financial Entities
- Real-time ticker or other real-time reporting

Un-cleared

- End-user transactions will be customized or relatively low in volume
- Real-time ticker of market data inputs
- No value in real-time ticker of transaction data

It is more valuable knowing real-time that $500 million in notional of a five-year interest rate swap traded at a coupon of 5% on SEF or cleared through a DCO vs. knowing that $5 million of the same instrument traded at 4.99% by an End-User (un-cleared, not traded on a SEF). The size of the trade and the associated credit risk with the un-cleared transaction and any mark-ups would be the cause of the difference in price. Other End-Users would not find much value in knowing the 4.99% price without knowing the breakeven price (without credit, transaction costs or mark-ups) and would look to the SEF price for determining where the liquid, credit-neutral market is trading.

Valuable Real Time Data: Market Data

As stated above, the transaction data only tell half the picture. The price or rate at which a derivative trades, in many instances, is informative only if one has access to relevant, real-time market data that can be used to assess that traded price or rate.

To calculate the transparent breakeven price or rate, proper real-time market data inputs are needed, notably the non-exchange traded market data inputs that go into pricing OTC derivatives. In essence, there are two key factors that impact the pricing of a Swap: the financial model used and the market data inputs that go into the financial model. One of the greatest disadvantages that End-Users have in the current OTC derivatives market is the lack of access to market data inputs.

Some market data inputs like spot FX rates, futures and securities prices are available in real time, but many key inputs like swap spreads, basis swap spreads, option volatilities, spot/forward commodity prices and commodity basis swap spreads are either expensive to purchase or in general not available to all market participants.

For example, as an airline, it is very difficult to know what you should be paying for Jet Fuel swaps to lock in the price of your Jet Fuel purchase for the future. There are many considerations that go into the physical price of the Jet Fuel, refinement process from Oil to transportation and the forward basis curve in the OTC derivative market. OTC Jet Fuel swaps in the U.S. typically trade as a basis spread, or differential, to Heating Oil which is more liquid or sometimes trade as a spread to the underlying Crude Oil contract, which is even more liquid. However, this data is not readily available, and making this type of data more transparent would benefit the End-User community and, long term, should increase liquidity into the market place.

Currently the SDR rules do not cover the issue of transparency relating to market data. Addressing this issue would have to be done through enactment in order for the market data components to be able to be disseminated.

Recommendation: Phased-In Approach

The Commission should consider phasing in the approach of real-time data dissemination by first requiring SEFs to provide the information upon execution. The second phase could include real-time data from DCOs, and during this time determine the best approach to consolidate the real-time information coming from multiple SEFs and DCOs. Before requiring SDRs to publish real-time data, the Commission can evaluate how, for standardized swaps, the market volume and value of the transaction details published has evolved. The SDRs are also last in the trade cycle to receive real time transaction data, so they may not be the best place from which to have real-time data disseminated.

Sincerely,

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